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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	13 th July 2023	Agenda Item	2.1
Report Title	Annual Accounts 2022/23		
Report Author	Nia Morgan, Assistant Director of Finance (Accounting & Governance)		
Report Sponsor	Darren Griffiths, Director of Finance and Performance		
Presented by	Darren Griffiths, Director of Finance and Performance		
Freedom of Information	Open		
Purpose of the Report	To provide the audited annual accounts for Swansea Bay University Health Board for 2022/23.		
Key Issues	<p>The draft accounts were submitted to Welsh Government by midday on Friday 5th May 2023 in line with the deadline issued by Welsh Government (WG).</p> <p>Achievement of the submission deadline was challenging with a number of issues affecting the ability of the Health Board to close its financial ledger as planned. The delays were caused by 3 factors.</p> <p>Firstly, the scale of work required to complete non-cash returns to Welsh Government because of the significant impact of the introduction of International Financial Reporting Standard (IFRS) 16, which was introduced into the NHS in 2022/23. Secondly, the lateness of receipt of resource allocations from WG in respect of non-cash allocations, the 1.5% non-consolidated pay award and the notional 6.3% pension allocation for pension contributions made by Welsh Government and thirdly delays in the provision of information on scheme pays from the Government Actuary Department.</p> <p>These delays meant that the Health Board was unable to close its financial ledger until 21st April 2023, 4 days later than planned.</p> <p>Audit Wales has completed its audit of the accounts and has issued the "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 2.2.</p>		

	<p>In terms of performance against three financial targets and the requirement to process non NHS invoices in a timely manner the Health Board reported.</p> <ul style="list-style-type: none"> • £1.838m surplus against the Revenue Resource Limit – but did not break even over 3 years • £0.038m surplus against the Capital Resource Limit – and did break even over 3 years • Had an approved Integrated Medium Term Plan • Delivered 94.7% compliance against the 95% 30 day target for invoice payment <p>The audited accounts, ratified by the Board will need to be submitted to Welsh Government by midday on Monday 31st July 2023.</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"> • RATIFY the audited annual accounts for 2022/23 to enable them to be submitted to Welsh Government by the deadline of midday on Monday 31st July 2023. 			

ANNUAL ACCOUNTS 2022/23

1. INTRODUCTION

The draft accounts were submitted to Welsh Government (WG) at midday on Friday 5th May in line with the deadline issued by Welsh Government. The audit of the accounts has now been completed by Audit Wales and the audited accounts attached as **Appendix A** need to be approved by the Board.

2. BACKGROUND

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 18th May 2023.

Audit Wales has completed its 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 2.2. The changes to the draft accounts recommended by Audit Wales have been accepted by the Audit Committee at its meeting earlier today and are reflected in the audited accounts attached as **Appendix A**.

3. GOVERNANCE AND RISK ISSUES

The Health Board is required by Welsh Government to achieve three 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 2022/23 whilst the Health Board remained within its resource limit in-year, reporting an audited underspend of £1.838m, over the rolling 3-year period from 2020/21 to 2022/23 the Health Board exceeded its revenue resource limit by £46.865m as detailed on page 27 of the accounts meaning that this target was not achieved. The surplus is greater than previously reported in the draft accounts due to the correction of a misstatement identified as part of the audit process.

Capital Resource Limit

Similarly, the Health Board is required to remain within its capital resource limit over a 3-year rolling period. For 2022/23 the Health Board achieved this target with an under spend of £0.038m. The target was also achieved over the 3 year period from 2020/21 to 2022/23 with a cumulative under spend of £0.098m as detailed on page 27 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. This target was achieved for the 2022/23 financial year with the

plan formally approved by the Minister for Health and Social Care on 6th September 2022.

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 2022/23 with performance being 94.7%, this being due to issues with payment of nurse bank invoices and delays in receipting of goods and authorisation of invoices during the early months of the 2022/23 financial year.

4. ANALYSIS OF ACCOUNTS

For information purposes a slide deck has been attached as **Appendix B** to this report providing an analytical review of the accounts. This slide deck was formally presented to the Audit Committee at its meeting on 18th May 2023, but has been updated to reflect the final accounts in **Appendix A**. The remainder of this report, however, provides a summary of the high level issues to note from the accounts main statements.

Statement of Comprehensive Net Expenditure (SOCNE) - Page 2

This statement reports the net costs of the Health Board's operating activities. As was the case in the previous two financial years, there has again been an impact on the Health Board's expenditure because of COVID. Whilst the 2022/23 financial year focussed on COVID recovery there was again a significant sum of COVID funding amounting to £58.661m (2021/22, £130.407m) provided by WG. This information is detailed in Note 34.2 to the accounts and is detailed below:

Revenue		
Stability Funding		34,604
Covid Recovery		0
Cleaning Standards		0
PPE (including All Wales Equipment via NWSSP)		4,285
Testing / TTP- Testing & Sampling - Pay & Non Pay		2,286
Tracing / TTP - NHS & LA Tracing - Pay & Non Pay		5,601
Extended Flu Vaccination / Vaccination - Extended Flu Programme		918
Mass Covid-19 Vaccination / Vaccination - COVID-19		8,977
Annual Leave Accrual - Increase due to Covid		
Urgent & Emergency Care		
Private Providers Adult Care / Support for Adult Social Care Providers		
Hospices		
Other Mental Health / Mental Health		
Other Primary Care		1,560
Social Care		
Other		430
Welsh Government Covid 19 Revenue Funding		58,661

Primary care services expenditure totalled £202.658m, an increase of £8.583m or 4.4% against the previous year. The biggest increase was in Prescribed Drugs and Appliances of £5.916m (8.1%) with other increases in General Medical Services of £1.509m (2.2%) and General Dental Services of £1.319m (4.6%). Expenditure on General Ophthalmic Services, Pharmaceutical Services and Other Primary Care Expenditure saw minimal movement.

Expenditure on healthcare from other providers totalled £282.070m, an increase of £2.988 million (1.1%) against 2021/22. The main increases were in expenditure with Private Providers which increased from £7.542m in 2021/22 to £14.356m in 2022/23, largely due to outsourcing and insourcing costs aimed at reducing waiting lists. Expenditure on goods and services with WHSSC also increased by £13.265m (11.7%) these increases being offset by reductions in expenditure with Local Authorities of £11.043m and with voluntary organisations of £2.087m mainly due to reductions in the amounts passed over to these bodies under the Welsh Government Funded Regional Investment Fund (RIF), previously the Intermediate Care Fund (ICF). There was also a reduction of expenditure of £4.061m with Welsh Trusts, primarily with the Welsh Ambulance Services NHS Trust.

Expenditure on hospital and community services also saw an increase amounting to £48.464m (5.2%). The biggest increase was in staff costs of £53.478m (8%) which includes staff costs in respect of junior medical staff under the Single Lead Employer (SLE) arrangement with Velindre NHS Trust. Included within the staff costs are £28.483m for the 6.3% employer pension contributions paid directly by Welsh Government. Of the increase £7.015m relates to the 1.5% non-consolidated pay award paid in March, £8.806m in respect of the 1.5% consolidated pay award, accrued at year end and due to be paid in May 2023 which is in addition to the £28.642m pay award costs for the initial 2022/23 pay award.

Offsetting the staff cost increase was a reduction of £10.694m in the charge to revenue from the net movement in the losses provision, with small increases in clinical supplies and services of £2.228m, establishment costs of £2.121m and depreciation costs of £4.511m, which included depreciation of £2.526m in respect of Right of Use (ROU) assets under IFRS16.

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 £35.494m. Asset additions totalled £38.333m, offset by depreciation of £30.497m, with the remaining increase due to indexation of existing assets of £18.689m, and the impact of the quinquennial revaluation, which resulted in a revaluation of the estate and associated reversals of impairments.

The introduction of IFRS16 from 1st April 2022 resulted in items formerly accounted for as operating leases being capitalised and transitioning to the balance sheet as Right of Use Assets. The value of the leases transitioning as at 1st April amounted to

£19.130m with the closing balance reducing to £16.802m following depreciation of the asset values in year.

Trade and other receivables, current and non-current increased by £14.268m to £200.230m. The biggest change related to an increase in the amounts due/recoverable from Welsh Risk Pool which increased by £10.997m and accounts for £168.471m of the total receivables value. The remaining increase was mainly due to Welsh NHS bodies, debts with these bodies being £4.593m higher than the figure for 2021/22. The increases primarily related to Welsh Health Boards and WHSSC. The analysis of other movements in trade and other receivables is provided in the presentation supporting the draft accounts.

Liabilities

Trade and other liabilities current and non-current reduced by £8.571m. The main movements were

- A reduction in capital creditors of £19.224m with capital creditors at the end of the 2021/22 financial year being particularly high due to delivery of capital equipment right at the end of the that financial year and after the final date for payment of invoices.
- A reduction of £11.355m in non-NHS accruals partly accounted for by the reduction in the untaken annual leave accrual following the return to pre-COVID rules for the carry-over of annual leave.
- An increase due to the creation of a Right of Use lease liability of £13.330m for former operating lease transitioning on to balance sheet as at 1st April 2022.
- The remaining increase comprised £5.003m in NHS payables and £3.682m in the balances due to HMRC and NHS Pensions for the March Tax/NI and Pension payments

Provisions

There was an increase in provisions of £7.818m. The movement was due to an increase in the provision for clinical negligence, redress and GP indemnity claims of £9.258m, the change in the HM Treasury Discount rate saw the provisions for permanent injury benefit payments (classed as personal injury in the accounts) reduce by £1.542m.

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 2022/23 amounted to £1,180.716m, with notional funding of £28.483m representing the amount paid by Welsh Government directly to the NHS Pensions Agency in respect of the 6.3% employer pension contributions. Net operating costs amounted to £1,165.677m.

The revaluation reserve records retained increases in asset values as a result of indexation or previous upward revaluations, which increased by £20.881m.

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 £1,119.245m with capital activities resulting in a cash outflow of £57.489m. These cash outflows were funded by £1,180.716m of cash from Welsh Government and movements for the relating to the capital element of payments in respect of the PFI scheme and Right of Use assets. The overall movement in the cash balance in year was a reduction of £1.539m, the closing cash balance for 2022/23 being £2.859m. As was the case in 2021/22, no strategic cash assistance was received in 2022/23.

5. FINANCIAL IMPLICATIONS

There are no direct financial implications as a result of the publication of the accounts and all other detail is provided within the accounts themselves.

6. RECOMMENDATIONS

Members are asked to:

- **RATIFY** the audited annual accounts for 2022/23 to enable them to be submitted to Welsh Government by the deadline of midday on Monday 31st July 2023.

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	
There are no direct staffing implications associated with this report.	
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 Board. The previous report was presented to Board in June 2022.
Appendices	<p>Appendix A provides the audited accounts for the Swansea Bay University Health Board for the 2022/23 financial year.</p> <p>Appendix B provides an analytical review of the key movements in the accounts between 2021/22 and 2022/23.</p>