

SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT

Period 07 Data (October 2019)

Lynne Hamilton

In Month

£ 1,405,726 overspent

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	(22,437)	(22,942)	(506)	-2.25%
Pay	47,651	47,296	(356)	-0.75%
Non Pay	49,811	52,078	2,267	4.55%
Total	75,026	76,432	1,406	1.87%

Cumulative

£ 8,652,760 overspent

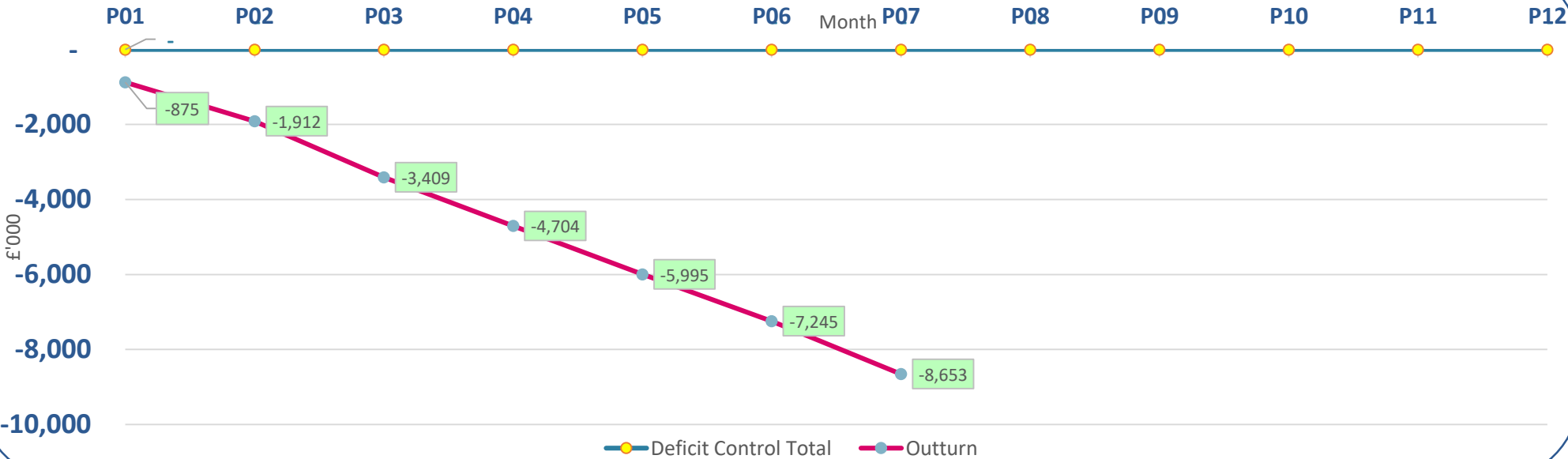
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	(152,494)	(153,575)	(1,082)	-0.71%
Pay	320,671	320,585	(86)	-0.03%
Non Pay	337,447	347,267	9,820	2.91%
Total	505,624	514,277	8,653	1.71%

Forecast

Breakeven

Type	Full Year Budget (£'000)	Full Year Forecast (£'000)	Forecast Variance (£'000)	% Variance
Income	(242,653)	(243,640)	(987)	(0.41%)
Pay	527,657	527,657	0	0%
Non Pay	564,764	565,751	987	0.17%
Total	849,768	849,768	0	0%

Full Year Financial Performance and Projection



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)	1,408	↑
Reported year to date financial position – deficit/(surplus)	8,653	↑
Current reported year end forecast – deficit/(surplus)	0	→

Capital		
Capital KPIs: To ensure that costs do not exceed the Capital resource limit set by Welsh Government		
Current reported year end forecast – deficit/(surplus) – Forecast Green	Breakeven	→
Reported in-month financial position – deficit/(surplus) – Forecast Green	(438)	↓

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 Green	95.1	↓

Revenue Narrative

- The Health Board is committed to achieving financial balance in 2019/20. The Health Board has a balanced core financial plan, this however excludes the impact of the diseconomies of scale associated with the clinical and corporate management costs following the Bridgend Boundary Change, which were identified as £5.4m. This adds a significant additional pressure to the Health Board's delivery requirement and will require significant support to deliver savings of this.
- The Month 7 reported position is an in-month overspend of £1.4m, which is a deterioration on the previous three month's performance. The lack on tangible improvement in financial performance is disappointing given the focus on financial grip and control and recovery actions supported by the Delivery Support Team. The KPMG support must be maximised to drive improvements in performance.
- The key drivers of the position continue to be:
 - Operational pressures, most significantly workforce costs, ChC and activity related income.
 - Identified savings being below required level and slippage against planned savings.
 - Bridgend Boundary Change diseconomies of scale impact.
- It must be highlighted that the Health Board has now over-committed against the planned winter spend and whilst the HB is hopeful of receiving additional funding from WG, if this is not received then the financial position will further deteriorate.

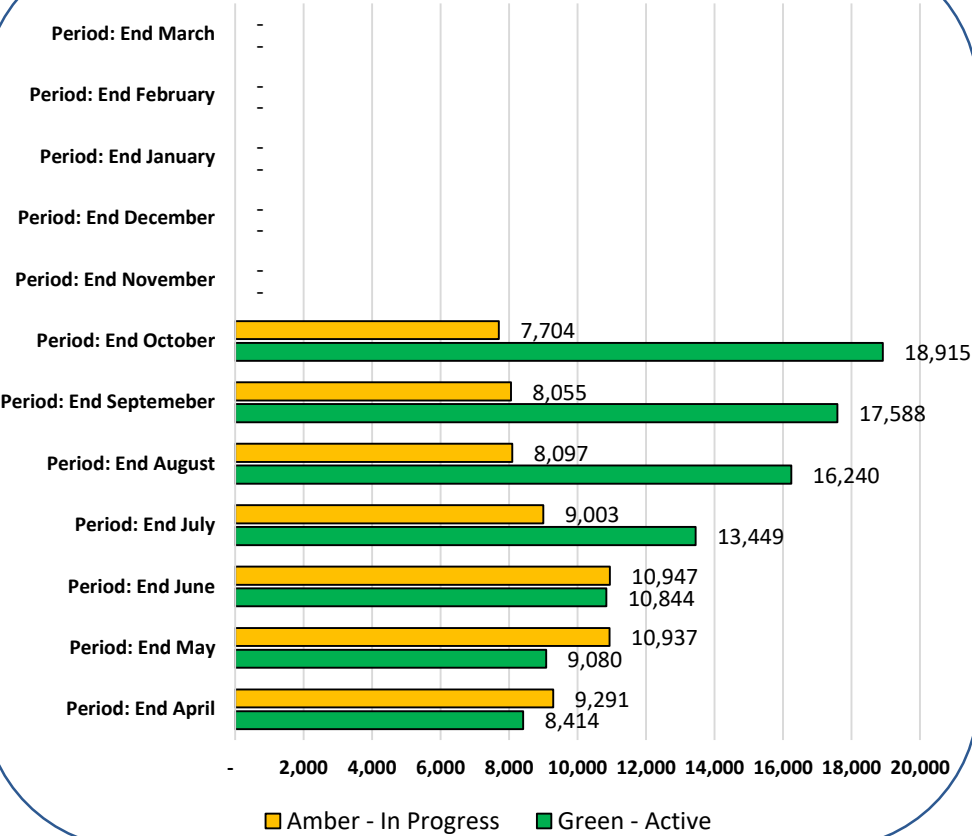
Capital Narrative

- Approved CRL value for 19/20 issued on 11/11/19 is £23.490m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
- Underspend to date relates to a number of schemes as detailed in the Annex, there is no anticipated impact on the year end forecast due to these underspends to date.
- There is 1 All Wales Capital scheme reported to Welsh Government as high risk. There are 2 other high risk schemes that we anticipate receiving funding for. There is 1 scheme classified as medium risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government.
- The forecast outturn of breakeven is dependent of assumed income of £5.091m being received from WG.

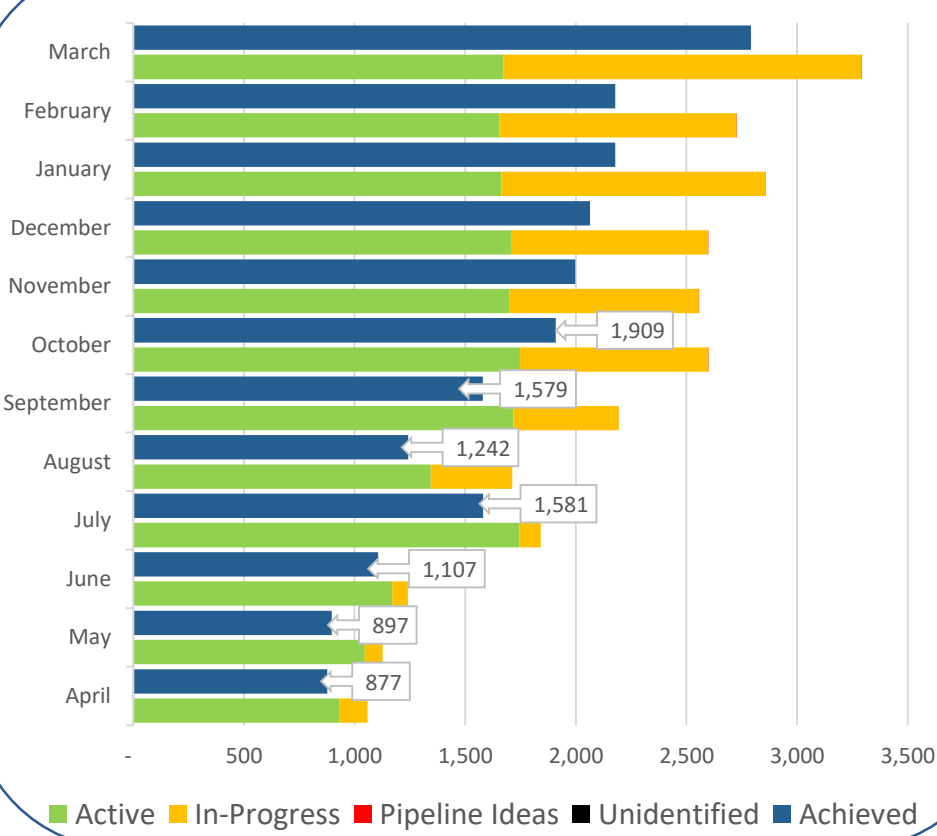
PSPP Narrative

- The number of invoices paid within 30 days in October was below the 95% target, with in month performance being only 92.65% This resulted in the cumulative compliance for the year reducing from 95.5% at the end of September to 95.1% at the end of October. The main issues impacting the PSPP performance in October were delays in receipting and delays in the processing of pharmacy and nurse bank invoices. The processing of pharmacy invoices may be impacting on PSPP performance as the JAC system which generates the payment file for accounts payable can only record a single date and pharmacy require this to be the invoice date for audit purposes. The PSPP measure starts from the invoice received date which will always be later than the invoice date and using the invoice date rather than invoice received date on pharmacy invoices may be adversely impacting on PSPP.

Trend over time



Current Profile of Savings



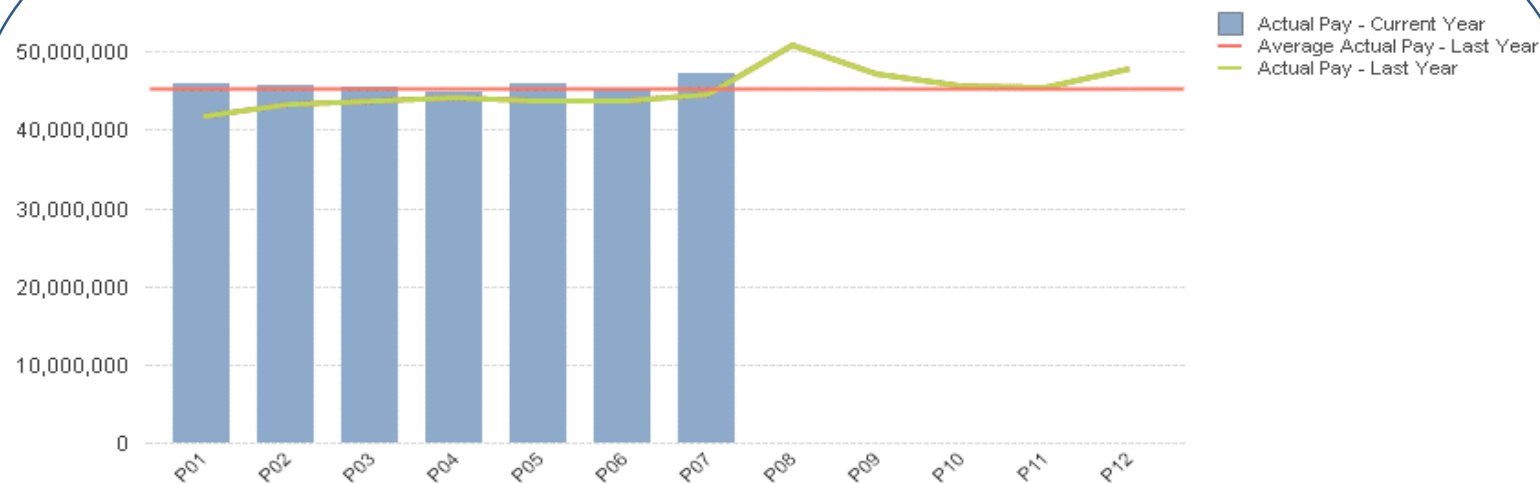
Narrative

- The Health Board financial plan required £22m savings to be delivered.
- To date, £25.8m of Green and Amber savings have been identified, however the forecast delivery against these schemes is £20.4m, which is short of the required savings level and does not provide any mitigation of the operational pressures that have emerged throughout the year to date.
- The savings include the impact of the HVOs. An update of the HVOs is included in as an annex to this pack.
- The further recovery actions/savings that have not yet able to be rated as Green or Amber have been assessed and whilst some further impact is anticipated, it is unlikely to deliver fully. The impact on the financial recovery challenge will be examined on subsequent slides.
- The KPMG work is at a very early stage and it is difficult to assess the potential positive impact.

Narrative

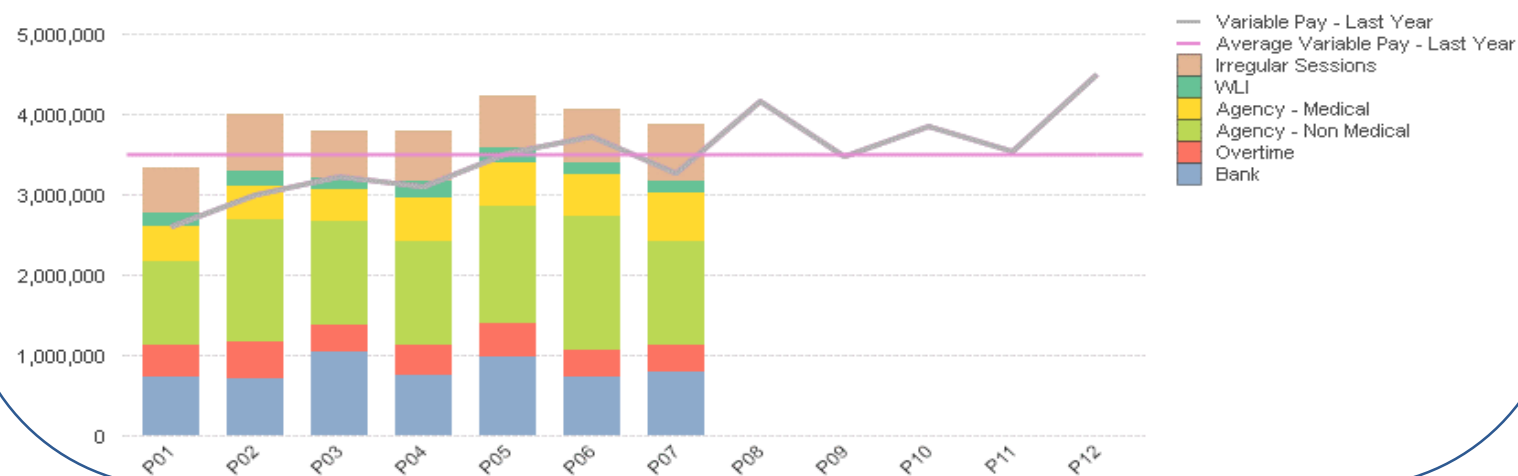
- The actual savings delivery increased in P7.
- The actual savings delivery for the first seven months of the years is £9.2m, with £11.2m forecast delivery in the last five months of the year. KPMG are assessing the delivery confidence of this increasing level of savings.
- The level of slippage against the identified schemes is disappointing. One of the key areas of slippage is the delivery of increased service income at Morriston which is being stifled by ability to access bed capacity.
- All non-delivering savings schemes are being reviewed to understand if there are opportunities to drive delivery either in year or in future year and also to improve the savings planning cycle risk assessment.

Actual Pay Expenditure This Year and Last Year



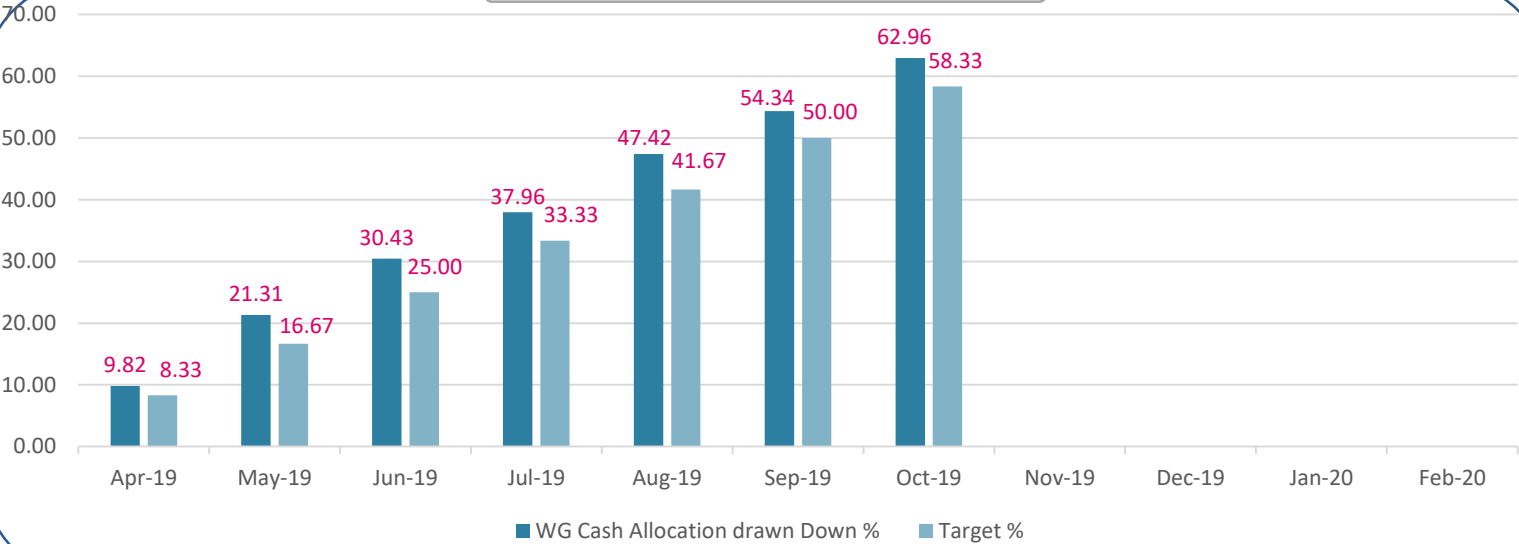
- The increase in pay spend in P7 reflects the medical & dental pay award arrears being paid in P7.
- Generally spend is above that of the average for the previous year.

Variable Pay Expenditure This Year and Last Year

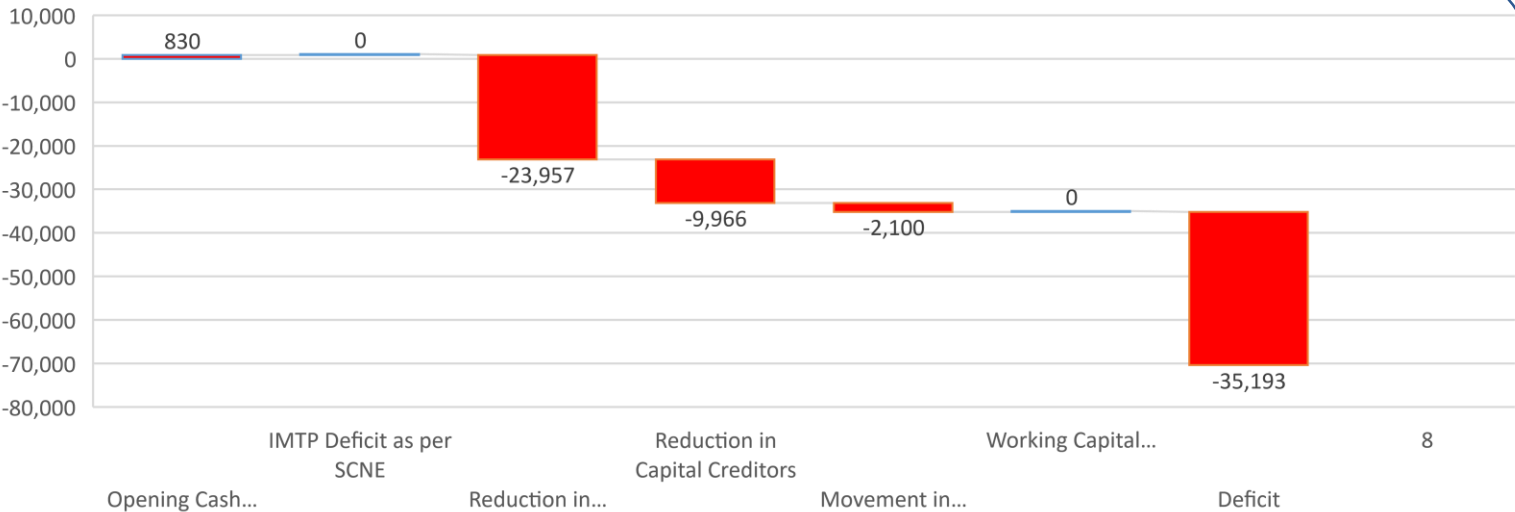


- Variable Pay spend has reduced in month particularly non-medical agency spend. This may reflect the recent nurse recruitment, however further review is required to validate this.

Welsh Government Draw Down



Analysis of Forecast Cash Position



1. The health board had a cash balance at the end of October of £1.193m which is in line with the local target of holding between £1m and £2m in cash at month end.
2. In the first 7 months of the financial year the health board has utilised cash to pay invoices for goods and services received before 31st March 2019 relating to services that have transferred to Cwm Taf as well as receiving cash for debts for goods and services provided before 31st March 2019 for these services. This has resulted in the amount of cash drawn down to the end of October of 63% of the allocation being ahead of profile which will result in working capital cash being required from Welsh Government.
3. The current best estimate of the year end cash position is that of a deficit of £35.193m. This is based on actual receipts and payments at the end of October, and forecast receipts and payments for November – March.
4. The biggest factors in the cash shortfall is the forecast deterioration in revenue working capital balances linked to the Bridgend boundary change. Estimated at £19.657m together with forecast redaction in capital creditors of £9.966m
5. All movements in working capital balances will require WG non repayable cash support. Any cash required as a result of a financial deficit will require repayable strategic cash support. WG has been advised of the current cash forecast.

FINANCIAL RISKS & OPPORTUNITIES LOG

#	Issue	Description	Opportunity (Best Case) £000	Risks (Worse Case) £000	Most Likely £000	Risk Rating	Key Decision Point and Summary Mitigation	Risk Owner Name
	Annual Plan Deficit		0	0	0			
1	WG Additional Funding Support	Financial Plan includes £10m additional funding support provided by WG non-recurrently in 2018/19.	0	-10000	0	Low	Continue to work closely with WG	Lynne Hamilton, Director of Finance
2	Additional Capacity	Health Board Plan provides funding to support unscheduled care pressures. This could be insufficient	0	0	0	Medium	The excess costs have been included in the forecast position.	Chris White, Chief Operating Officer
3	Performance Sustainability	Health Board Plan provided funding to support RTT performance. Further funding was provided by WG to support performance improvement.	0	-6500	0	Medium	RTT performance is currently off the improvement trajectory and recovery plans whilst improving will not deliver the planned RTT position by the end of the financial year. As a result, there is the potential for WG to claw back the funding it has provided. WG colleagues are reviewing the trajectories.	Chris White, Chief Operating Officer
4	Bridgend Boundary Change Diseconomies of Scale	The diseconomies of scale associated with the Bridgend Boundary change have been identified. The forecast assumes that these costs are mitigated and managed.	0	-2000	0	Medium	The current forecast assumes £2m of transitional funding for Bridgend Boundary Change Diseconomies of Scale. Whilst the value of this has not been confirmed, the letter from Andrew Goodall on 13th August confirmed some transitional support.	Hannah Evans, Director of Transformation
5	Primary Care Prescribing	Revised Cat M pricing has increased forecast prescribing expenditure	-1500	-1000	-1200	High	The impact of Cat M pricing has been estimated as between £1m -£1.5m and will be moved to forecast next month	Judith Vincent, Chief Pharmacist
6	Final Pension Charge	Impact of increases in salary during last 3 years prior to retirement or withdrawal from pension scheme being charged to HBS following change in guidance	0	0	0	High	The current estimate has been moved to forecast in Month 7	Hazel Robinson, Director of Workforce and OD
7	Further Identified Recovery Actions not delivered in full	The recovery actions identified are not able to be delivered as planned	0	-3600	-1000	High	The Health Board has identified a range of actions to improve financial performance amounting to £3.6m. There is a risk that these will not be delivered in full. The delivery assurance will be through DST and Financial recovery meetings	Hannah Evans, Director of Transformation
8	Welsh Risk Pool	The Welsh Risk Pool is currently forecasting a deficit against its budget and has informed HBS that it is likely to need to invoke the risk sharing agreement	0	-2400	-2400	High	The latest WRP assessment would result in a risk share contribution for Swansea Bay of £2.4m. This will be moved to forecast for M8. Please note that the £2.4m is £1m higher than that reported on the monitoring returns as latest position was not available at time of monitoring returns reporting	Lynne Hamilton, Director of Finance
9	Further Recovery Actions and Opportunities not identified and delivered	Further recovery actions and opportunities to close the deficit gap are not identified	0	-8711	-8711	High	Review of Efficiency framework opportunities and other financial plans to ensure opportunities maximised. This risk has reduced by £0.5m this month due to further schemes being identified	Lynne Hamilton, Director of Finance
			- 1,500	- 34,211	- 13,311			

August & September

- Delivery Support Team established with initial focus on USC then finance.
- Financial Recovery Action plan developed.
- Updated Spending Controls document issued to all service areas.
- Further development of High Value Opportunities.
- Weekly Financial Recovery Meeting with a 4 week rolling focus.
- Enhance confidence assessment of the planned savings through Delivery Support team
- Identify further savings opportunities through use of Efficiency Framework and other benchmarking data.
- Review of non-recurrent opportunities and actions to support the financial position.
- Award of WG Commissioned external support.

Continued Scrutiny

- **Monthly** Financial Management Group meeting chaired by the CEO to review Health Board financial performance, risks and opportunities and ensure actions to manage the financial position are in place.
- **Monthly** Performance, Quality and Finance Meetings with Delivery Units; monthly review of all corporate directorates
 - **Weekly** escalation where finance and/or performance is off track
 - 'deep dives' into key areas (eg. medical pay bill review, Unit performance or delivery issues)
 - Individual support to Finance Business Partners by Assistant Directors to help provide 'critical challenge' into delivery units
 - CEO led escalation as required
- **Monthly** Health Care Value & Efficiency Programme Board to ensure efficiency opportunities for long term sustainability are being progressed.
- **Monthly** Investment & Benefits Group:
 - Effective decision making in line with organisational priorities
 - Control of investment/re-investment decisions including capital
 - Benefits tracking (financial & non financial)
- **Monthly** scrutiny by Performance & Finance Committee. Escalation process in place for key risks identified through performance framework:
 - Financial and/or performance at Unit level
 - System wide focus on targeted intervention areas
 - Recovery actions and non delivery of savings programmes