

Performance & Finance Committee

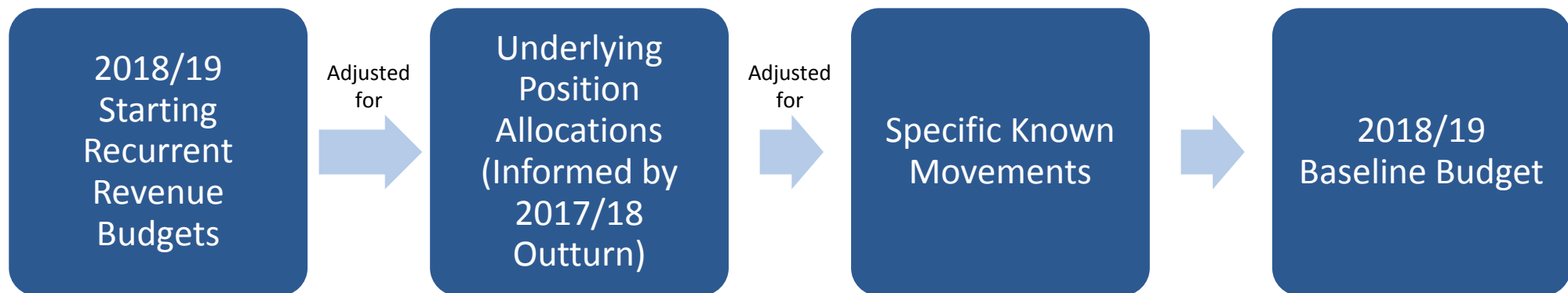
Interim Financial Resource Plan 2018/19

Lynne Hamilton
27th April 2018

Purpose of this report is to update the P&F Committee on

- ❖ Baseline Budget Rebasing
 - ❖ Impact of Annual Plan
 - ❖ Review of Reserves
 - ❖ Key Assumptions & Risks

- The establishment of the 2018/19 Baseline Budget is set out in the chart below.
- The rebasing has built on the principle that base operational expenditure in 2018/19 should be constrained to 2017/18 level.
- Whilst this principle is sound, it could be considered to be unfair or rewarding poor delivery performance.

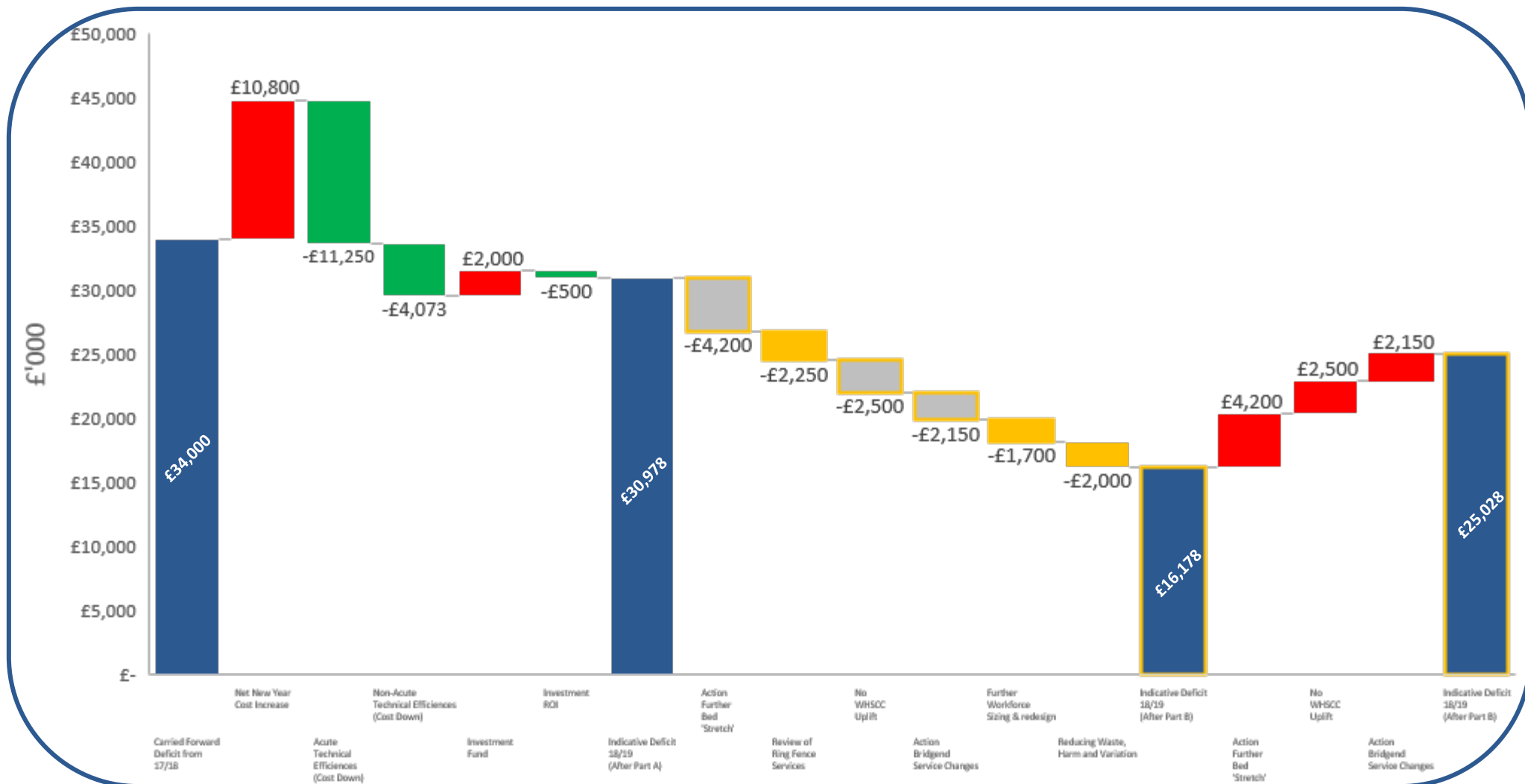


	Roll Forward Recurrent 2018/2019 £000	Rebased Recurrent 2018/2019 £000
INCOME		
Revenue Resource Limit	(1,066,171)	(1,066,171)
Cardiff & Vale	(13,918)	(13,918)
Cwm Taf	(5,644)	(5,644)
Hywel Dda	(30,956)	(30,956)
Powys	(1,752)	(1,752)
Aneurin Bevan	(1,302)	(1,302)
WHSSC	(99,761)	(99,761)
Miscellaneous Income	(32,239)	(32,239)
TOTAL	(1,251,743)	(1,251,743)
EXPENDITURE		
Singleton Delivery Unit	117,036	122,811
POW Delivery Unit	97,310	98,690
Morrison Delivery Unit	197,099	208,098
MH & LD Delivery Unit	113,275	109,558
Primary Care & Community Delivery Unit	232,494	231,933
NPT Delivery Unit	164,469	163,763
Director of Therapies	636	636
Board Secretary	3,835	4,000
Medical Director	2,684	2,684
Nursing Director	3,290	3,440
Director of Strategy	201,465	203,757
Workforce & OD	4,770	4,806
Informatics	12,006	12,806
Finance	5,799	5,799
Clinical Medical School	5,548	5,548
South Wales Cancer Network	0	0
EMRTS	2,868	2,868
Other Budgets (inc Depreciation)	30,395	30,395
Directorate/Locality Funding (inc NICE)	74,103	74,103
Locality/Directorate Brought Forward Deficit	18,310	0
Corporate I & E Brought Forward Deficit	353	353
TOTAL	1,287,745	1,286,048
Underlying Deficit Brought Forward	36,002	34,305

- The table provides a summary of the income and expenditure budgets prior to any 2018/19 funding allocations or savings.
- The roll forward recurrent budget identifies the existing budget allocations to Service Delivery Units and corporate budgets and reserves.
- The rebased recurrent budget identifies the recurrent budgets following the budget rebasing that has been undertaken.
- The next slides provide an analysis of the key movements from the budget rebasing.

		Specific Known Adjustments				
	Underlying Position £000	WG MH Investment £000	General Adjustments £000	Capacity Redesign £000	S117 £000	Baseline Budget Adjustment £000
Service Delivery Units						
Singleton	6389			-614		5775
POW	2076			-696		1380
Morrison	10999					10999
Mental Health & LD	-2213	1324		-1428	-1400	-3717
PC & Community	-201			-360		-561
NPT Unit	-706					-706
Directorates						
Nurse Director	-132		282			150
Medical Director	-311		311			0
Workforce & OD	36					36
Informatics	43		757			800
Finance	16					16
Board Secretary	45		120			165
Director of Therapies	-9		9			0
Director of Strategy	2292					2292
Delegated Budget Position	18324	1324	1479	-3098	-1400	16629

- The underlying delegated positions have been assessed using the 2017/18 P1-P11 financial variance.
- This builds on the principle that base operational budgets should be constrained to 2017/18 expenditure levels.
- After establishing the underlying position, there are a number of adjustments that need to be made, to reflect agreed or known changes. The key changes are
 - Deployment of WG Mental Health Investment Funding, which was not fully expended in 2017/18.
 - General Adjustments reflect fortuitous underspends in Corporate functions which are not expected to continue eg vacancies within Executive Team and Infection control, recharge of costs to capital and underspends on ring fenced budgets which cannot be removed.
 - Capacity redesign schemes that were agreed in 2017/18 but not progressed until 2018/19
 - S117 recharges in Mental Health



- The waterfall reflects the financial plan for 2018/19, moving from £34m underlying position to £25m year-end forecast deficit.

Net Inflationary & Service Growth	Cost/Service Growth £m	Planned Cost Avoidance £m	Net Cost/Service Growth £m	Assumptions
2018/19 Anticipated New Costs				
Pay & Pensions	8.4		8.4	Pay Award Assumes 1% pay award on all staff groups £6m plus 20p per hour living wage increase £0.8m. Auto-enrolment FYE £0.9m. Medical staff commitment awards & increments £0.7m
Non pay	4		4	Reflects 2% uplift of total non pay, excluding ChC, Primary Care & Prescribing
Welsh Risk Pool	1	-1	0	Not included in plan
ChC/FNC Inflation and Growth	3.9	-1.4	2.5	Initial assessment assumed £1.5m inflation and £1.4m growth + £1m to support Phase 3 payments/movement in provisions. Planned cost avoidance reflects the planned management of ChC growth. Anticipated inflation is 3% on general & EMI and 2% on MH, LD & Paeds. FNC growth & inflation of 2%
NICE	4	-0.5	3.5	Based on previous years growth and some limited horizon scanning this growth would appear reasonable
Primary Care Prescribing	2.5	-2.5	0	Growth expected to be matched by savings
Specialist Services	3.5		3.5	Based on latest assessment on WHSSC ICP this should be manageable. £1m reduction identified in technical efficiency savings
*GMS Enhanced Services	1.5	-1.5	0	Increased costs expected to be mitigated by transfer of costs from Secondary Care
Other Commissioner Pressure	1		1	Key Pressure is Velindre - estimate is £0.8m
Service Pressures/NSA	4	-3	1	Demand growth based on national modelling provided by Alun Lloyd. Plan to manage demand growth through improved efficiency and demand management, however increases in areas such as diagnostics may need to be supported
Total Inflationary & Service Growth	33.8	-9.9	23.9	
Anticipated Allocation Changes				
2% General Uplift	-16.4		-16.4	WG allocation uplift of 2% to support inflationary and service pressures
Allocation Top Slice to support new All Wales Developments	5.7		5.7	Reduction in WG allocation to support Nationally agreed initiatives ie 111 service, Non-medical education, paramedic grading.
MH Inflationary Uplift	-2.3		-2.3	WG allocation uplift to support MH inflationary and service pressures
Net Position	20.8	-9.9	10.9	

- The table provides a summary of the anticipated 2018/19 inflationary and service growth, the planned cost avoidance measures and the 2018/19 WG allocation impacts.
- It is important to note the scale of the planned cost avoidance measures.

Annual Plan Savings Workstream Targets		2018/19	Recurrent
		£000	£000
Acute Technical Efficiencies	Bed Capacity Redesign	3750	5000
	Procurement	2500	2500
	Unit Cost Down Initiatives	3500	3500
	Clinical Procurement	1500	1500
		11250	12500
Non Technical Efficiencies	Capacity Redesign - Gorseinon	375	500
	Capacity Redesign - LD	263	350
	Medicines Management	1000	1000
	Anticipatory Care/OOH Reconfiguration	435	580
	Corporate Overheads	1000	1000
	WHSSC Allocative Challenge	1000	1000
		4073	4430
Further Savings Workstreams	Review of Ring Fenced Services	2250	3500
	Workforce Resizing & Redesign	1700	2500
	Reducing Waste, Harm and Variation	2000	2000
Total		21273	24930

- The Health Board financial plan requires the delivery of £21.3m of savings in 2018/19 to achieve the £25m forecast deficit. This level of saving is greater than the £17m savings delivered in 2017/18, however the Recovery and Sustainability programme has been strengthened to support this increased savings delivery requirement.

	Annual Plan 2018/2019 £000	Annual Plan Recurrent £000
INCOME		
Revenue Resource Limit	(1,085,229)	(1,085,229)
Cardiff & Vale	(13,918)	(13,918)
Cwm Taf	(5,644)	(5,644)
Hywel Dda	(30,956)	(30,956)
Powys	(1,752)	(1,752)
Aneurin Bevan	(1,302)	(1,302)
WHSSC	(99,761)	(99,761)
Miscellaneous Income	(32,239)	(32,239)
TOTAL	(1,270,801)	(1,270,801)
EXPENDITURE		
Singleton Delivery Unit	121,374	120,959
POW Delivery Unit	97,077	96,615
Morriston Delivery Unit	206,070	205,457
MH & LD Delivery Unit	109,492	108,530
Primary Care & Community Delivery Unit	230,679	230,290
NPT Delivery Unit	162,485	161,783
Director of Therapies	626	625
Board Secretary	4,006	4,004
Medical Director	2,714	2,713
Nursing Director	3,393	3,389
Director of Strategy	203,572	203,506
Workforce & OD	4,879	4,872
Informatics	12,676	12,661
Finance	5,748	5,741
Clinical Medical School	5,548	5,548
South Wales Cancer Network	0	0
EMRTS	2,868	2,868
Other Budgets (inc Depreciation)	35,210	35,210
Directorate/Locality Funding (inc NICE)	87,164	87,164
Locality/Directorate Brought Forward Deficit	0	0
Corporate I & E Brought Forward Deficit	353	353
TOTAL	1,295,934	1,292,288
Underlying Deficit Brought Forward	25,133	21,487

- The table provides a summary of the income and expenditure budgets following the application of the 2018/19 initial funding allocations, 2018/19 planned savings.
- The key difference between the 2018/19 position and the recurrent position is the inclusion of the full year impact of some of the planned savings in the recurrent
- The following slides set out the impact of the annual plan both indicative inflation and savings across the delegated revenue budgets.

Indicative Budgets - 2018/19	Morrison	Singleton	POW	MH&LD	PCC	NPT	Strategy	Dir Ther & HS	Med Director	Finance	WOD	Bd Sec	Nurse Dir	Informatics
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2018/19 Roll Forward Budget	197,099	117,036	97,310	113,275	232,494	164,468	201,465	636	2,684	5,799	4,770	3,835	3,290	12,006
Budget Rebasng Allocation	10,999	6,389	2,076	-889	-201	-706	2,292	0	0	0	36	165	150	800
2017/18 Savings requirement	0	-614	-696	-2,828	-360	0								
2018/19 Baseline Allocation	208,098	122,811	98,690	109,558	231,933	163,762	203,757	636	2,684	5,799	4,806	4,000	3,440	12,806
<i>Indicative 2018/19 Inflationary Allocation :</i>														
Pay Inflation	1,615	987	837	847	618	462	366	6	14	44	47	33	30	93
Non Pay Inflation	1,009	560	431	190	0	740	742	1	42	42	148	12	6	77
ChC Inflation	0	0	0	735	707	0								
<i>Indicative 2018/19 Savings Contributions :</i>														
Capacity Redesign	-1,129	-806	-1,008			-806								
Procurement	-741	-458	-394		-372	-210	-207	-3	-4	-22	-20	-6	-13	-48
Unit Cost Down & Income Generation	-1,085	-671	-577		-545	-307	-304	-4	-6	-32	-29	-9	-20	-70
Clinical Procurement	-511	-316	-272		-257	-145								
Corporate Overheads							-641	-8	-13	-68	-60	-20	-41	-149
Capacity Redesign - Gorseinon					-375									
Capacity Redesign - LD				-263										
Anticipatory Care & OOH					-435									
Workforce Resizing	-504	-312	-268		-253	-143	-141	-2	-3	-15	-13	-4	-9	-33
Ring Fence Review				-1,575		-675								
Reducing Waste, Harm & Variation	-682	-421	-362		-342	-193								
2018/19 Budget	206,070	121,374	97,077	109,492	230,679	162,485	203,572	626	2,714	5,748	4,879	4,006	3,393	12,676

- To assist the Service Delivery Units and Corporate Directorates in understanding the scale of the challenge for 2018/19, draft accountability letters have been issued to all Service Directors setting out the Baseline Budget Allocation, the indicative inflationary allocations and indicative savings contributions.

Indicative Budgets - Recurrent	Morriston £000	Singleton £000	POW £000	MH&LD £000	PCC £000	NPT £000	Strategy £000	Dir Ther & HS £000	Med Director £000	Finance £000	WOD £000	Bd Sec £000	Nurse Dir £000	Informatics £000
2018/19 Roll Forward Budget	197,099	117,036	97,310	113,275	232,494	164,468	201,465	636	2,684	5,799	4,770	3,835	3,290	12,006
Budget Rebasing Allocation	10,999	6,389	2,076	-889	-201	-706	2,292	0	0	0	36	165	150	800
2017/18 Savings requirement	0	-614	-696	-2,828	-360	0	0	0	0	0	0	0	0	0
2018/19 Baseline Allocation	208,098	122,811	98,690	109,558	231,933	163,762	203,757	636	2,684	5,799	4,806	4,000	3,440	12,806
<i>Indicative 2018/19 Inflationary Allocation :</i>														
Pay Inflation	1,615	987	837	847	618	462	366	6	14	44	47	33	30	93
Non Pay Inflation	1,009	560	431	190	0	740	742	1	42	42	148	12	6	77
ChC Inflation	0	0	0	735	707	0	0	0	0	0	0	0	0	0
<i>Indicative 2018/19 Savings Contributions :</i>														
Capacity Redesign	-1,505	-1,075	-1,344			-1,075								
Procurement	-741	-458	-394			-372	-210	-207	-3	-4	-22	-20	-6	-13
Unit Cost Down & Income Generation	-1,085	-671	-577			-545	-307	-304	-4	-6	-32	-29	-9	-20
Clinical Procurement	-511	-316	-272			-257	-145							
Corporate Overheads							-641	-8	-13	-68	-60	-20	-41	-149
Capacity Redesign - Gorseinon						-500								
Capacity Redesign - LD				-350										
Anticipatory Care & OOH						-580								
Workforce Resizing	-741	-458	-394			-372	-201	-207	-3	-4	-22	-20	-6	-13
Ring Fence Review				-2,450		-1,050								
Reducing Waste, Harm & Variation	-682	-421	-362			-342	-193							
2018/19 Budget	205,457	120,959	96,615	108,530	230,290	161,783	203,506	625	2,713	5,741	4,872	4,004	3,389	12,661

- The recurrent revenue budget position includes the full year impact if savings which are considered to be part year in 2018/19.

Current Reserves Position	Current Position £	To be Issued Prior to start of Year £	Reserves Held at start 2018-19 £
Main Reserve	16,052,559	-2,653,780	13,398,779
Internal Recurrent Reserve	23,999,629	-6,248,693	17,750,936
Internal Non Recurrent Reserve	300,000	0	300,000
Pay Reserve	7,259,889	0	7,259,889
Prices Reserve	6,260,000	-2,100,000	4,160,000
NICE Reserve	48,908,155	0	48,908,155
Total	102,780,232	-11,002,473	91,777,759

Restatement of Reserves in Line with Reserves Management Policy	Reserves Held at start 2018-19 £
Central Budgets	62,003,599
Reserves	28,474,160
Contingency	1,300,000
Total	91,777,759

- The current reserves position identifies the current recurrent reserves position using the traditional reserves categories. An element of these reserves will be issued before the commencement of the start of the year, leaving a balance of £91.778m.
- The second table provides a restatement of the reserves into the three agreed categories of Central Budgets, Reserves and Contingency.

- Recurrent savings from the current year are now captured at full year effect in the £34m carried forward deficit – these include service redesign savings which have not yet been implemented;
- The savings to be achieved in 2018/19 are also shown at a full year impact, with the exception of the service redesign savings noted above;
- Growth in demand will be fully absorbed by Delivery Units;
- Pay inflation is funded at 1%. Noting the A4C pay agreement reached in England on 21 March, we are assuming any agreement in Wales will be fully funded by Welsh Government. We are also assuming that the recently agreed changes to the GMS Contract will be fully funded by Welsh Government;
- No funding is earmarked for any additional costs of adherence to the Nursing Staffing Act ,and,
- As reflected in the Planned Care Service Improvement Plan, the positive progress in performance is predicated on additional investment throughout the year. This financial plan assumes £2m of internal investment to support improvement in Quarter 1, and a further £7m of funding from Welsh Government. We have not assumed any other additional income from Welsh Government at present in relation to the £168m that has not yet been allocated.

#	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	S117 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

The Performance and Finance Committee is asked to **Note** :

- Budget rebasing principles
- Impact of the Annual plan including the net cost inflation, the required savings and the impact on the budgets for the Service Delivery Units and Directorates.
- Updated Central Budgets, Reserves and Contingency position
- Financial plan key assumptions
- Financial plan risks, opportunities and mitigating actions