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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board

SWANSEA BAY LHB FINANCE DEPT. PERFORMANCE & FINANCE COMMITTEE – FINANCE POSITION

Period 04 Data (July 2019)

In Month

£ 1,294,957 overspent

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	(20,937,664)	(20,914,622)	23,042	0.11%
Pay	45,174,932	44,923,150	(251,782)	-0.56%
Non Pay	47,728,630	49,252,327	1,523,697	3.19%
Total	71,965,897	73,260,854	1,294,957	1.80%

Cumulative

£ 4,704,263 overspent

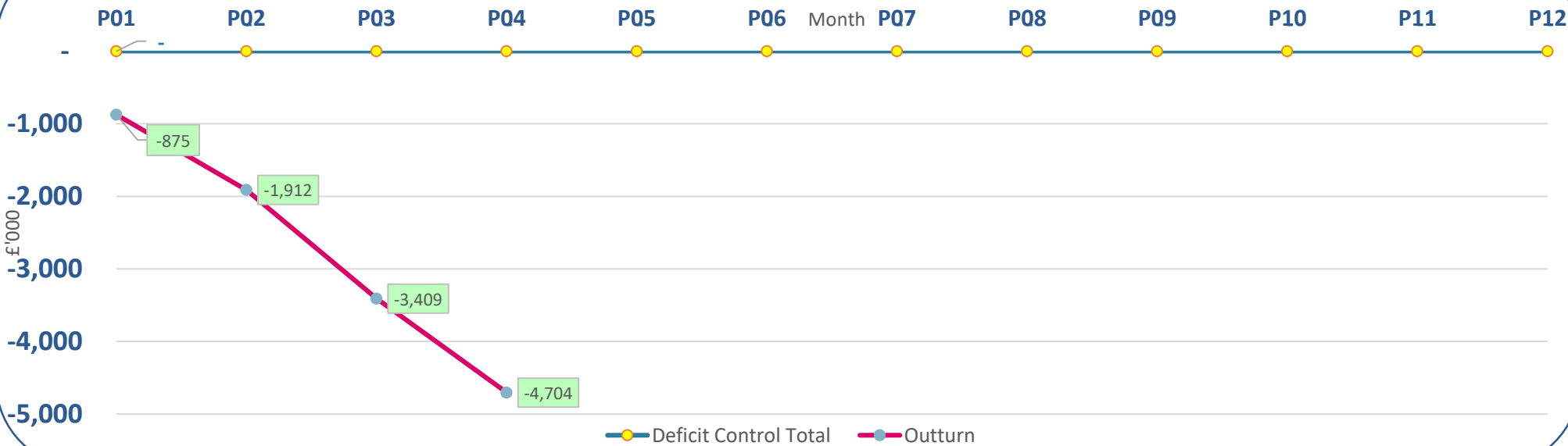
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	(83,268,983)	(83,449,185)	(180,202)	-0.22%
Pay	181,839,372	182,016,418	177,046	0.10%
Non Pay	190,764,928	195,472,346	4,707,419	2.47%
Total	289,335,317	294,039,579	4,704,263	1.63%

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)	1,295	↓
Reported year to date financial position – deficit/(surplus)	4,704	↑
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 Amber	(925)	↓
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	96.2	↓

Revenue

- 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 are £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 4 reported position is an in-month overspend of £1.295m, which is a slight improvement from previous month's performance. The key drivers of the position continue to be:
 - Identified savings being below required level and slippage against planned savings
 - Operational pressures, most significantly workforce costs, ChC and activity related income.
 - Bridgend Boundary Change diseconomies of scale impact
 - On-going costs associated with the Bridgend Boundary Change work
- Significant progress on has been made on identifying Recovery Actions to improve performance, however the delivery of a breakeven financial outturn remains a significant risk.

Capital Narrative

- Approved CRL value for 19/20 remains at £24.604m 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 are 6 All Wales Capital schemes that are being to reported to Welsh Government as medium risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government. In addition discretionary capital has again been reported as medium risk due to the value of assumed income the current plan is dependent upon

PSPP Narrative

- The number of invoices paid within 30 days in July again exceeded the 95% target, with the performance for the month being 97.1%.
- The July performance increased the cumulative compliance for the year from 95.8% at the end of June to 96.2% at the end of July.
- This improvement demonstrates the success of the work being done within the health board and with NWSSP Accounts Payable colleagues to ensure that compliance is achieved each month. Work is also now underway to attempt to improve the payment performance of NHS creditors.

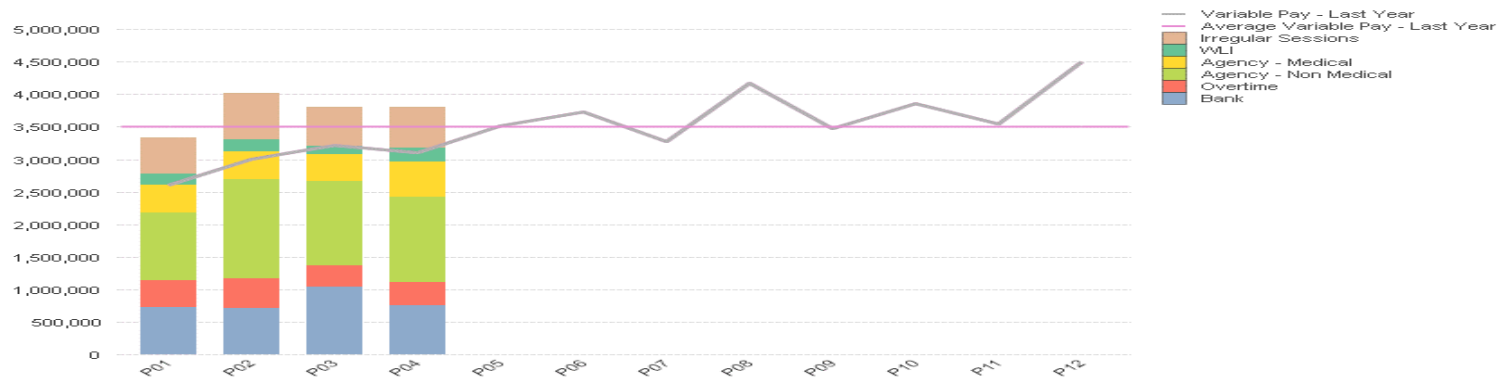
	Month 1	Month 2	Month 3	Month 4	Cumulative	Cumulative	Cumulative	Cumulative
	In Month	In Month	In Month	In Month	Position	CIP	Diseconomies	Operational
	£000	£000	£000	£000	£000	£000	£000	£000
Service Delivery Units								
Mental Health & LD	145	198	215	218	776	79	40	657
Morrison	137	236	561	553	1,487	172	12	1,303
NPT Unit	7	122	42	38	209	12	172	25
PC & Community	202	363	259	128	952	1176	92	-316
Singleton	124	132	143	254	653	263	48	342
Directorates								
Board Secretary	79	65	71	54	269	-6	300	-25
Chief Operating Officer	107	147	172	144	570	452	356	-238
Director of Strategy	37	57	44	-13	125	16	48	61
Director of Transformation	-1	-22	17	1	-5	2	0	-7
Finance	44	84	76	61	265	35	100	130
Informatics	4	-15	13	-46	-44	45	0	-89
Medical Director	6	-8	-3	-3	-8	11	64	-83
Nurse Director	3	24	23	26	76	29	204	-157
Workforce & OD	84	78	122	85	369	44	324	1
Clinical Medical School	-21	-24	-21	-18	-84	0	0	-84
Research & Development	0	0	0	0	0	0	0	0
Corporate I&E	-68	0	-41	13	-96	0	40	-136
Delegated Budget Position	889	1,437	1,693	1,495	5,514	2330	1800	1384
Corporate Plan	0	-400	-200	-200	-800	-800	0	0
Hosted Services								
Delivery Support Unit	-9	5	4	0	0	0	0	0
EMRTS	-5	-5	0	0	-10	0	0	-10
Health Board Position	875	1,037	1,497	1,295	4,704	1530	1800	1374

- The Month 4 reported position is an in-month overspend of £1.295m, which results in a cumulative overspend of £4.704m.
- The Month 4 position has shown slight improvement from last month's performance which is positive to note, however the in-month position is still significantly above required position.
- The level of deterioration in the financial performance of Morrison SDU reported in Month 3 has not abated and reflects activity based income being impacted on by operational service pressures and increasing workforce costs over and above those recognised as supporting surge capacity.
- The cumulative overspend is being driven by :
 - Operational pressures; workforce costs, ChC and income risks due to operational service pressures.
 - Savings Identification and Delivery Slippage
 - Bridgend Boundary Change Diseconomies impact

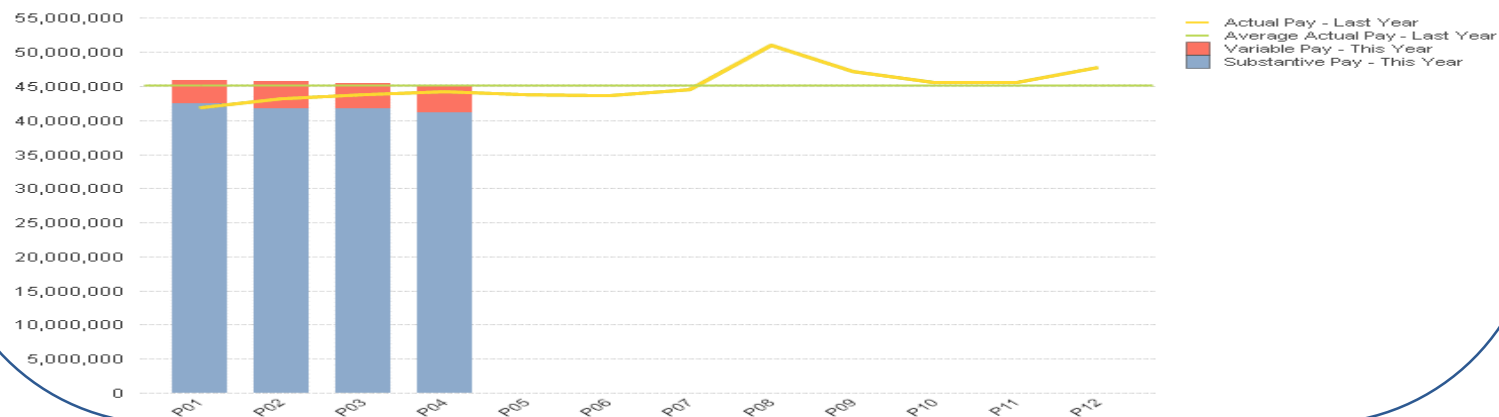
Actual Pay Expenditure This Year and Last Year



Variable Pay Expenditure This Year and Last Year

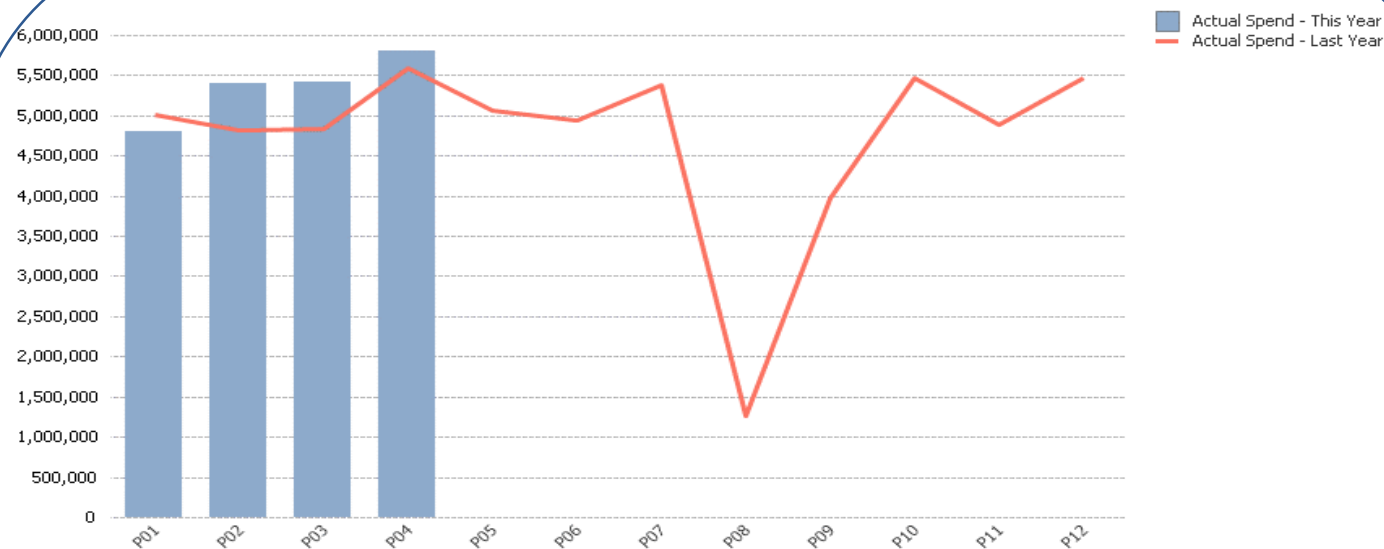


Substantive & Variable Pay Expenditure This Year and Last Year

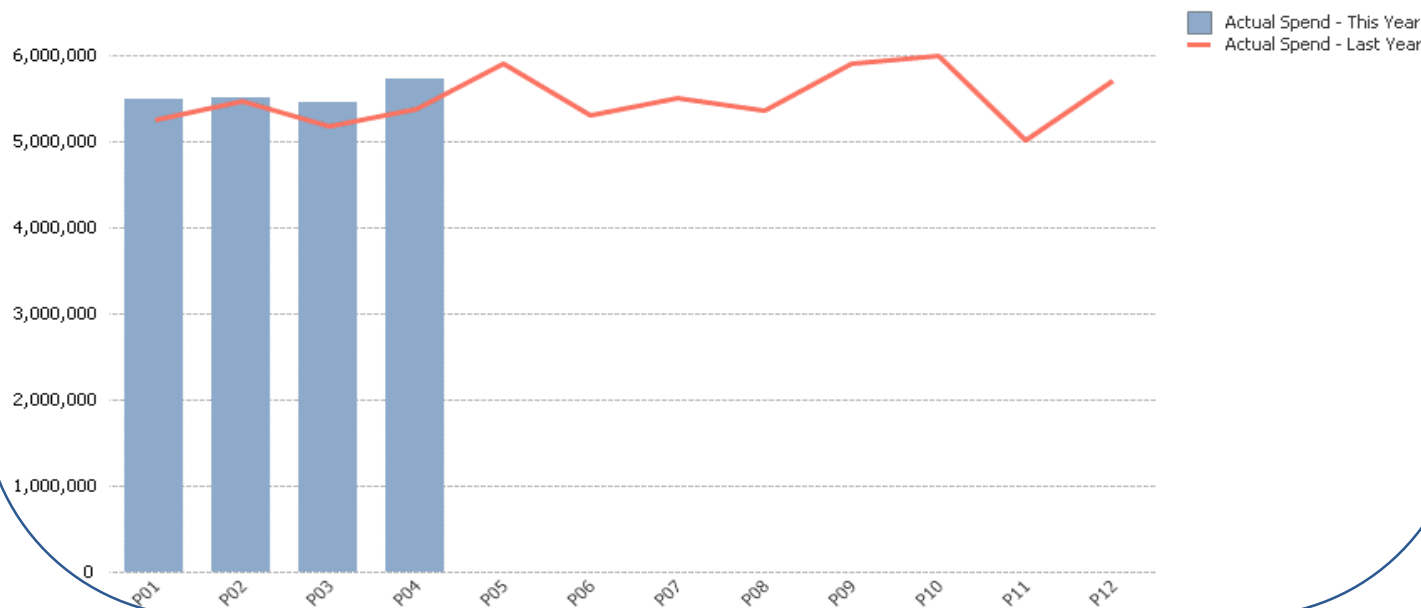


- Overall pay spend has reduced by £0.5m, this is due to a reduction in enhancements paid to staff which reflects the profiling of payments and budgets.
- Variable Pay spend has remained static when compared with the previous month. It should be noted that this is running significantly above the same period last year. This increase reflects surge capacity that was not open during this period last year.

Secondary Care Drugs Trend Analysis

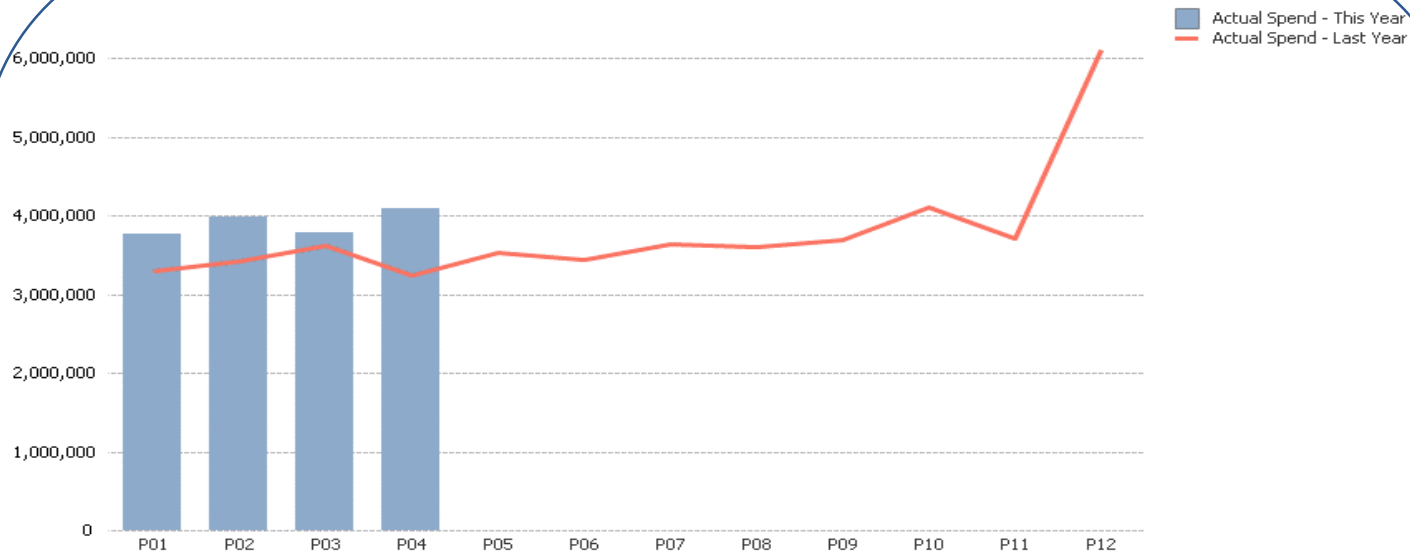


Primary Care Drugs Trend Analysis

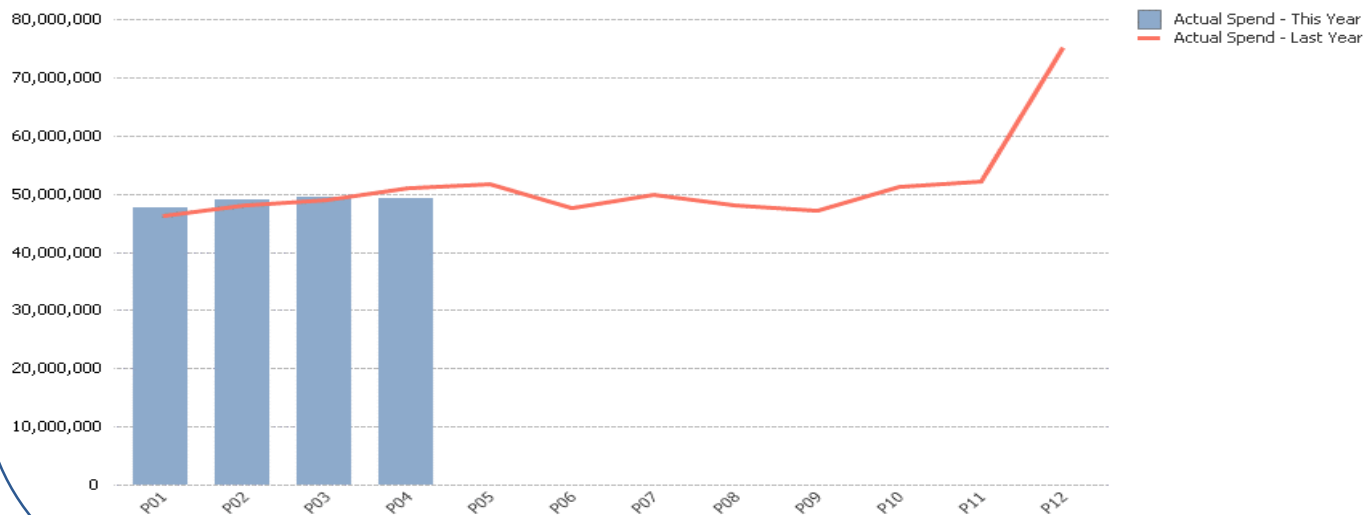


- Secondary drugs were stable in 2018/19, with little or no increase in costs reported compared to previous year.
- This year has seen secondary care drugs running above previous year expenditure levels. This is particularly reflected in NICE/High Cost drugs, with significant new approvals and more rapid implementation of new drugs. This is being closely monitored through the Medicines Management Financial recovery meetings to ensure necessary actions are being taken to enable expenditure to be maintained within plan.
- Primary Care drugs were less volatile in 2018/19 than the previous year, due to greater stability of NCSO price concessions.
- There are early indications of increasing pressures on primary care drugs linked to Cat M pricing, however this risk is still being assessed.

CHC Trend Analysis

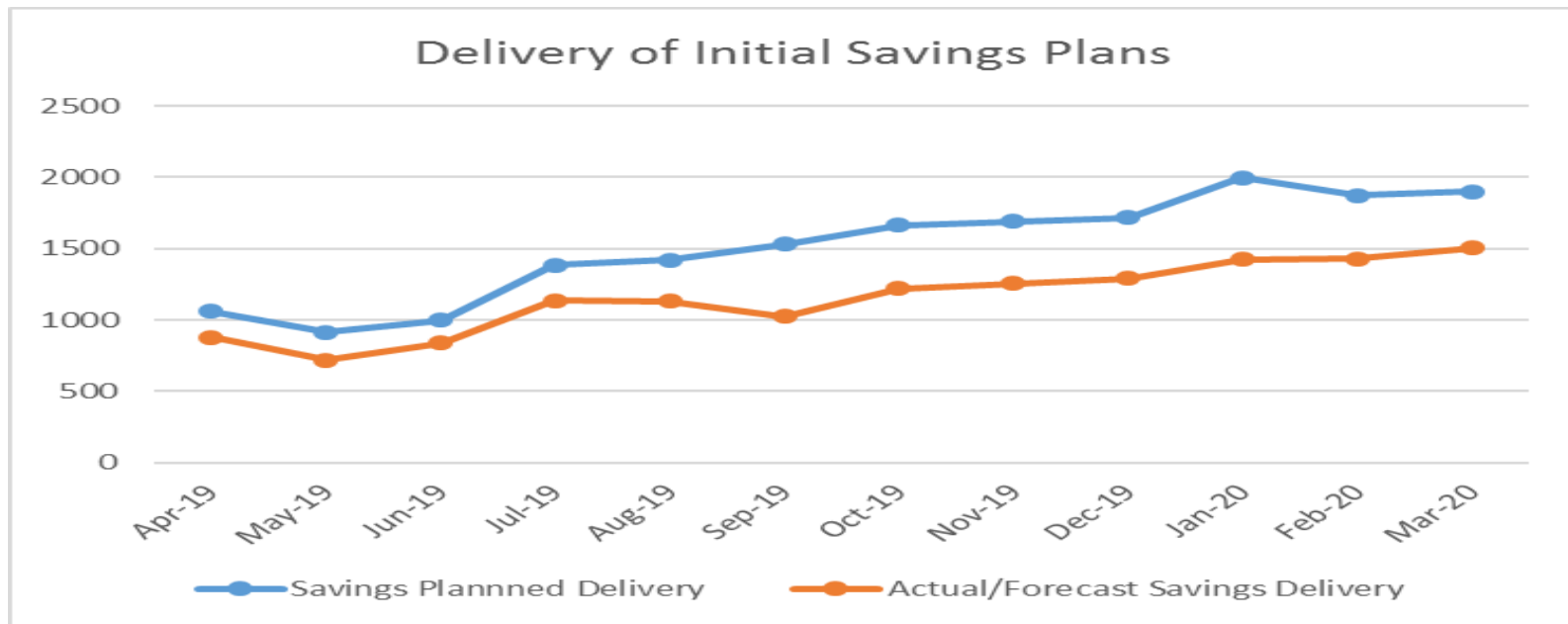


Adhoc Non Pay Trend Analysis



- ChC expenditure saw a steady growth in 2018/19, due to increasing case numbers across all areas.
 - The expenditure for 2019/20 is significantly above that of the same period in the previous year.
 - This area represents a financial risk given the full year impact of 2018/19 case growth and ongoing growth levels.
 - Category B - cost control savings – require the Units to absorb growth – £2.2m
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- Other non-pay expenditure is broadly as anticipated and is running slightly below that of the last year.

Initial Savings Plan & Delivery



Narrative

- The Health Board financial plan for 2019/20 required £22m of savings to be identified and delivered.
- The initial savings plans identified £18.151m with a further £3.234m identified during Q1. This included £2.8m planned savings linked to High Value Opportunities.
- The planned delivery profile for the initial savings for the first four months was £4.357m. The actual delivery during this period has been £3.571m, resulting in slippage of £0.786m.
- The forecast slippage on initial plans is £4.303m

The Delivery Support team has been established. There are three work plan areas :

- Savings Delivery and Assurance
 - Existing Plans
 - Recovery Plans
 - Procurement
 - Medicines Management
 - High Value Opportunities
- Grip
 - Grip and Stretch Targets
 - Variable Spend
- Sustainability
 - Efficiency Framework opportunities
 - Development of Future Pipeline
 - Spread of Best Practice
 - Operating Model/Structures

The key areas of progress of the last 6 weeks :

- New Financial Recovery packs developed
- Strengthened grip and assurance through weekly drumbeat of Financial Recovery meetings:
 - Week 1 : Financial Performance
 - Week 2 : Savings Assurance
 - Week 3 : Cross Cutting Issues (all units and Executives)
 - Week 4 : Workforce
- Refreshed Expenditure Controls issued
- Review of Recovery Actions and clear prioritisation of support requirements
- High Value Opportunities Deep Dive to review action plans and progress. An update summary is shown on the following slide.

SUMMARY HVO POSITION : AUGUST

High Value Opportunity	SRO	Original Target £m	Identified Savings Q1 £m	Identified Savings August £m	Delivery Confidence (Plan)	Delivery Confidence (Finance)	Comments
Workforce Modernisation & Efficiency							
Nursing Workforce	Gareth Howells	0.5	0.5	0.5	Green	Amber	Increased confidence due to e-rostering now live at Morriston
Medical Workforce	Dr Richard Evans	1	0.1	0.250	Amber	Amber	Improved savings identification as a result of switch of long term locums
Therapy Workforce	Chris White	0.1	0	0.1	Amber	Amber	Further savings through restructuring anticipated but not yet realised so still amber
Population Health and Allocative Efficiency							
MCAS	Chris White	0.173	0.040	0.130	Amber	Amber	Further actions identified to drive savings but with risks that need to be further assessed
Value & Variance	Dr Richard Evans	2.0	0	0	Red	Red	Progress in refocussing work programme. Additional financial support in DST to focus on this work stream
Service Redesign							
Outpatients	Chris White	0.1	0	0	Amber	Red	Further actions that will support efficiency/cost avoidance but no clear savings plan
Theatres	Chris White	0.5	0.5	0.5	Green	Green	Plans crystallising and good progress being made
Hospital to Home	Gareth Howells	0.5	0	0	Red	Red	Further transformation bid submitted to WG 12/08/19 which could change the confidence level
Category B (Management of cost pressures)							
Procurement	Lynne Hamilton	2.1	2.1	2.2	Amber	Amber	Detailed plans in place to manage cost pressures in these areas – savings will support units in offsetting growth
Medicines Management	Chris White (Judith Vincent)	2.245	2.27	2.27	Amber	Amber	

- All Units and Corporate Directorates have submitted financial recovery plans to drive to a break-even, supporting operational pressures and savings slippage.
- Delivery Support Team has undertaken a rapid assessment and categorisation of recovery plans:
 - Recovery Plan Category A – green schemes identified by Units/Corporate Directorates – these are considered “Just Do It”. Units and Directorates have commenced implementation of these schemes
 - Recovery Plan Category B – broadly JDIs but will require QIA screening prior to implementation
 - Recovery Plan Category C – schemes/themes that will require further DST support to clearly define the impacts prior to agreement to proceed.
- The delivery confidence based on the rapid assessment and categorisation is shown in the table below:

Recovery Actions	Identified Savings £m	Delivery Confidence %	Delivery Confidence £m
FR Cat A	2.489	100	2.489
FR Cat B	1.51	75	1.13
FR Cat C	10.36	25	2.59
Total	14.359		6.209

The Forecast has been updated to reflect the operational pressures, savings delivery and recovery actions.

	Updated Forecast £m
Bridgend Boundary Change	5.40
Savings	4.35
Operational Pressures	7.80
Year End Forecast Prior to Recovery Actions	17.55
	Delivery Confidence Assessment £m
Recovery Actions	
Category RP - A : JDIs	-2.49
Category RP - B : some further work	-1.13
Category RP - C : DST Support	-2.59
Year End Forecast After Unit Recovery Actions	11.34
Further Identified Recovery Actions :	
Directed Actions and Controls	-1.00
Increased Delivery Confidence (Cat B and C)	-2.00
Impact of Structural/Organisational Change following consultation	TBC
Year end Forecast After Further Recovery Actions	8.34

Further savings/recovery actions need to be identified and implemented to deliver a breakeven position

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	Savings Requirement not fully delivered	The full £22m savings requirement is not identified or delivered	0	0	0	Low	The savings plans have been re-assessed and slippage identified and included in the HB forecast. There is a high level of confidence on the delivery of the remaining savings. This delivery is expected to be around £17m. Recovery plans have been developed to mitigate this shortfall	Lynne Hamilton, Director of Finance
2	Nurse Staffing Act	Extension of Nurse Staffing Act into other areas increases nurse resource requirement	0	-1000	-500	Low	Nurse Staffing Act must be clearly scrutinised and options considered including reconfiguration of clinical capacity	Gareth Howell, Director of Nursing and Patient Experience
3	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
4	Ophthalmology Gold Command	Ophthalmology potential clinical risk related to follow up capacity	0	-500	0	Low	Assess clinical risk and identify options to increase capacity to mitigate clinical risk. This risk has been downgraded following access to some WG funding support. Remaining risk is being managed within Performance funding	Chris White, Chief Operating Officer
5	Performance Sustainability	Health Board Plan provides funding to support performance sustainability across Unscheduled Care, RTT and Cancer. Potentially this could be insufficient	0	-3000	0	Low	Review impact of current operational pressures on sustainability and financial plans. Identify opportunities to increase efficiency and reduce resource requirement. Discussions with WG colleagues to reflect revised profiles and issues for movement from initial profile	Chris White, Chief Operating Officer
6	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	-5400	-3500	High	The current forecast assumes that the £5.4m is able to be managed through a combination of actions, mitigations and potential transitional support. To date there is no conformation of transitional support and we are awaiting the outcome of the PWC due diligence work. The engagement on structures and new operating model is underway.	Hannah Evans, Director of Transformation
7	Management of Bridgend Boundary Change Impact	Potential impact of the deficit associated with Bridgend residents and services being supported by Swansea Bay	0	-7100	0	High	This is being dealt with through the WG arbitration process and we are awaiting the outcome of the arbitration.	Tracy Myhill, Chief Executive Officer
8	Primary Care Prescribing	Revised Cat M pricing has increased forecast prescribing expenditure	0	-1000	-500	Medium	The impact of Cat M pricing is being reviewed along with savings opportunities	Judith Vincent, Chief Pharmacist
9	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	-1000	-2000	-1000	High	A number of charges have already been received and are being challenged with NHS Pensions. This is also being reviewed on an All Wales basis by NHS Wales Employers Unit	Hazel Robinson, Director of Workforce and OD
10	Further Identified Recovery Actions not delivered in full	The recovery actions identified are not able to be delivered as planned	0	-1500	-500	High	The recovery actions have been assessed, however there is a risk that not all are delivered as planned. The delivery is being supported by the Delivery Support Team	Hannah Evans, Director of Transformation
11	Further Recovery Actions and Opportunities not identified and delivered	Further recovery actions and opportunities to close the deficit gap are not identified	0	-3045	-1500	High	Review of Efficiency framework opportunities and other financial plans to ensure opportunities maximised.	Lynne Hamilton, Director of Finance

1,000	34,545	7,500
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The Month 4 financial performance has highlighted the key risks to the delivery of the 2019/20 financial position as :

- Workforce costs, particularly the premium rate costs of contingent labour and the additional staffing requirements to support performance and operational pressures;
- ChC growth and inflation, which need to be contained;
- Income achievement due to operational pressures;
- Delivery of the planned savings requirement.

The Delivery Support Team have assessed savings delivery and recovery actions. This has enabled a delivery confidence assessment to be produced and clear plan of further actions and support. These include :

- Systematic application of JDI/controls across the Health Board
- QIA screening of Category B schemes
- Development of Category C schemes
- Establishment of Income Group
- Focus on Managing Attendance at Work
- Engagement on BBC structures and establishment of the new 'operating model'