

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

Period 02 Data (May 2019)

In Month

£ 1,036,814 overspent

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
	(20,877,659)	(20,972,439)	(94,780)	-0.45%
	45,703,038	45,784,380	81,342	0.18%
	48,044,028	49,094,280	1,050,252	2.19%
	72,869,407	73,906,221	1,036,814	1.42%

Cumulative

£ 1,911,847 overspent

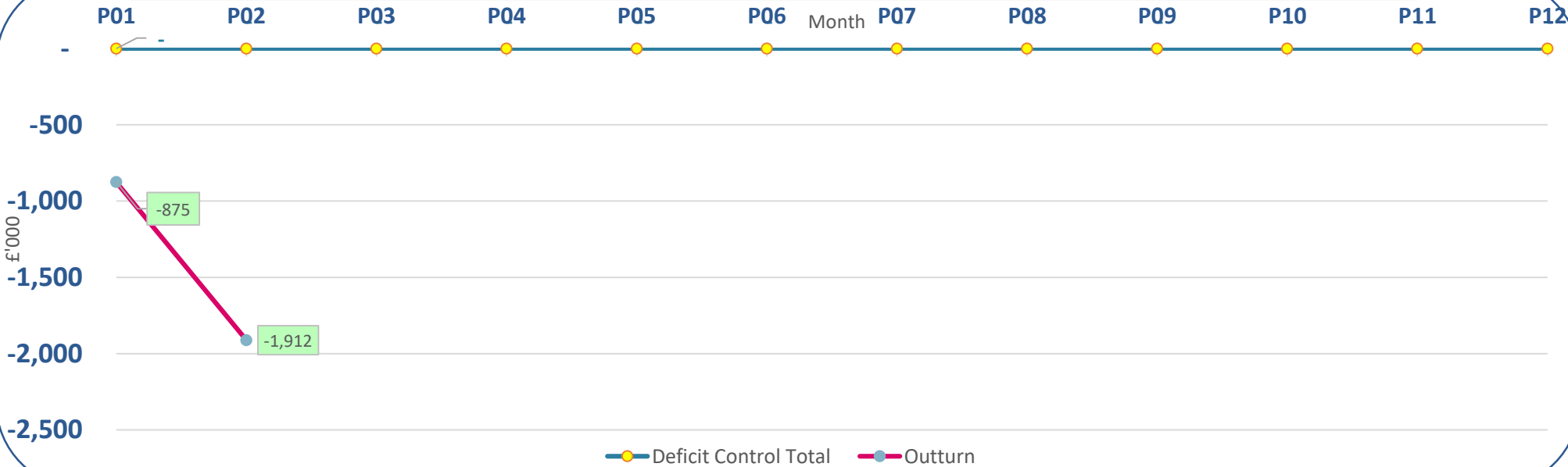
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	(41,342,622)	(41,566,543)	(223,921)	-0.54%
Pay	91,816,506	91,626,090	(190,416)	-0.21%
Non Pay	94,359,589	96,685,773	2,326,184	2.47%
Total	144,833,473	146,745,320	1,911,847	1.32%

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)	1,037	↑
Reported year to date financial position – deficit/(surplus)	1,912	↑
Current reported year end forecast – deficit/(surplus) – Forecast Amber	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	(330)	→
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	95.92	↓

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 2 reported position is an in-month overspend of £1.037m. The key drivers of this position are:
 - Actions to mitigate Bridgend Boundary Change diseconomies of scale not yet in place
 - Identified savings being below required level and slippage against planned savings
 - On-going costs associated with the Bridgend Boundary Change work
 - Operational pressures including contingent labour and ChC

Capital Narrative

- Approved CRL value for 19/20 is £24.604m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
- Underspend to date relates in the main to a delay in the completion of the Moriston Isolation Room however this is not expected to impact on the year end breakeven position.
- There are a number of All Wales Capital schemes that are being reported to Welsh Government as Medium risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government.

PSPP Narrative

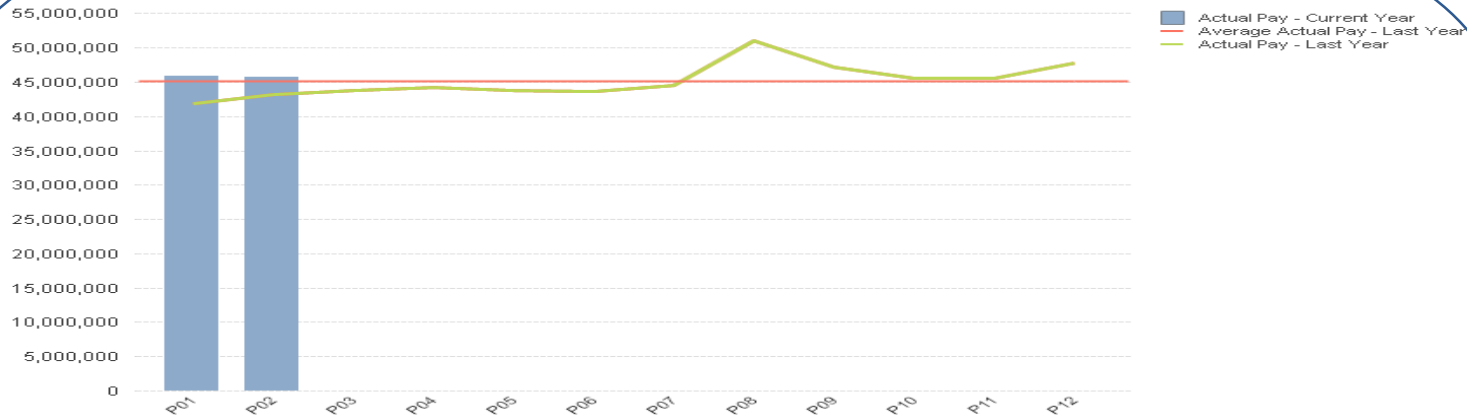
- The number of invoices paid within 30 days in May reduced slightly, however at 95.79% still exceeded the 95% target.
- The cumulative performance is 95.92%.
- Work will continue within the health board to ensure that this compliance figure is maintained each month and to work on improving the payment performance of NHS creditors

	Month 1	Month 2	Cumulative
	In Month	In Month	Position
	£000	£000	£000
Service Delivery Units			
Mental Health & LD	145	198	343
Morrison	137	237	374
NPT Unit	1	114	115
PC & Community	202	363	565
Singleton	129	140	269
Directorates			
Board Secretary	79	65	144
Chief Operating Officer	100	166	266
Director of Strategy	42	37	79
Finance	46	63	109
Informatics	4	-15	-11
Medical Director	6	-8	-2
Nurse Director	3	24	27
Workforce & OD	84	78	162
Clinical Medical School	-21	-24	-45
Research & Development	0	0	0
Corporate I&E	-68	0	-68
Delegated Budget Position	889	1,438	2,327
Corporate Plan	0	-400	-400
Hosted Services			
Delivery Support Unit	-9	4	-5
EMRTS	-5	-5	-10
Health Board Position	875	1,037	1,912

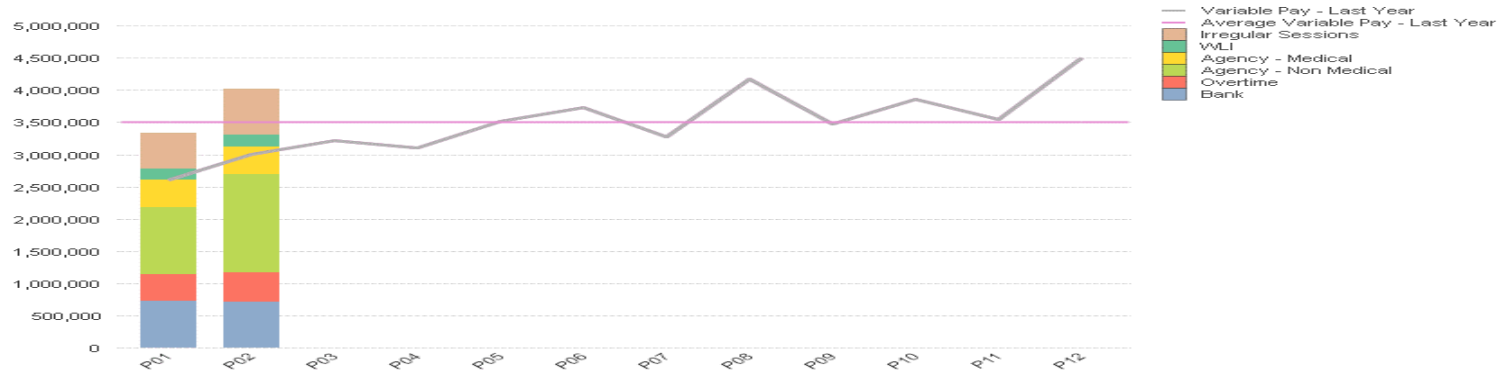
Month 1	Month 1	Month 1	Month 2	Month2	Month 2	Cumulative	Cumulative	Cumulative
CIP	Diseconomies	Operational	CIP	Diseconomies	Operational	CIP	Diseconomies	Operational
£000	£000	£000	£000	£000	£000	£000	£000	£000
-17	10	152	20	10	168	3	20	320
32	3	102	96	3	138	128	6	240
23	43	-65	-19	43	90	4	86	25
247	23	-68	51	23	289	298	46	221
105	12	12	54	12	74	159	24	86
3	75	1	-3	75	-7	0	150	-6
24	89	-13	186	89	-109	210	178	-122
6	12	24	6	12	19	12	24	43
9	25	12	9	25	29	18	50	41
11	0	-7	12	0	-27	23	0	-34
3	16	-13	2	16	-26	5	32	-39
5	41	-43	5	41	-22	10	82	-65
0	81	3	22	81	-25	22	162	-22
0	0	-21	0	0	-24	0	0	-45
0	0	0	0	0	0	0	0	0
0	20	-88	0	20	-20	0	40	-108
451	450	-12	441	450	547	892	900	535
			-400			-400		
		-9			4			-5
		-5			-5			-10
451	450	-26	41	450	546	492	900	520

- The Month 2 reported position is an in-month overspend of £1.037m, which results in a cumulative overspend of £1.912m.
- The table provides an analysis of the financial position by Service Delivery Unit and Directorate and also provides an analysis of the key drivers of the overspend ie Savings, Diseconomies of Scale impact and Operational pressures.
- Whilst the level of identified savings is increasing, there is disappointingly slippage against the identified.
- The diseconomies of scale reflect the agreed SBU position at SDU/Directorate level.
- The most significant issue arising in month 2 was the increase in operational pressures. The key areas of operational pressure are workforce costs, clinical consumables including drugs and ChC costs. This can be seen in more detail in the trend slides to follow.

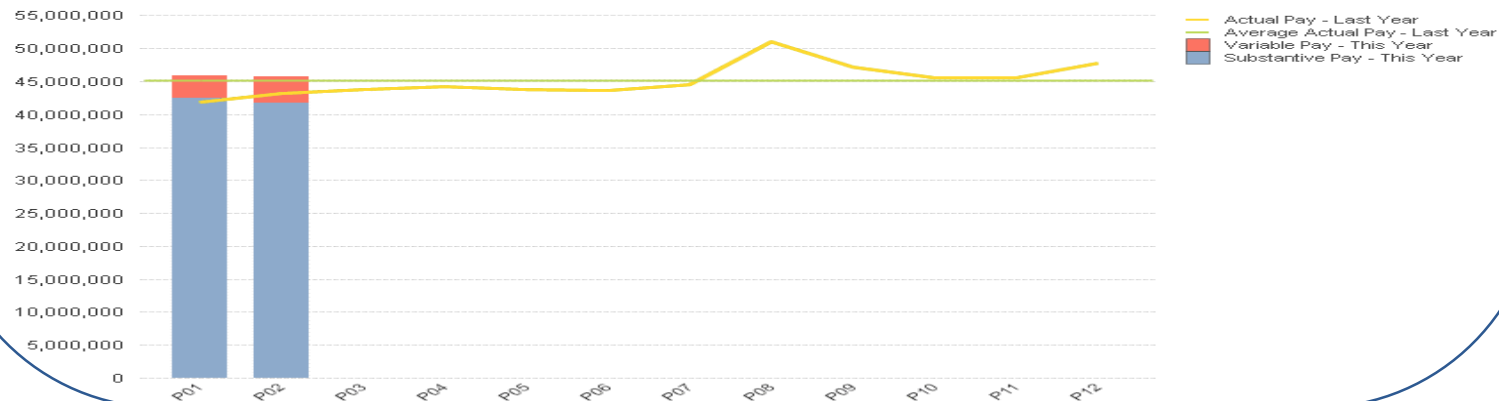
Actual Pay Expenditure This Year and Last Year



Variable Pay Expenditure This Year and Last Year

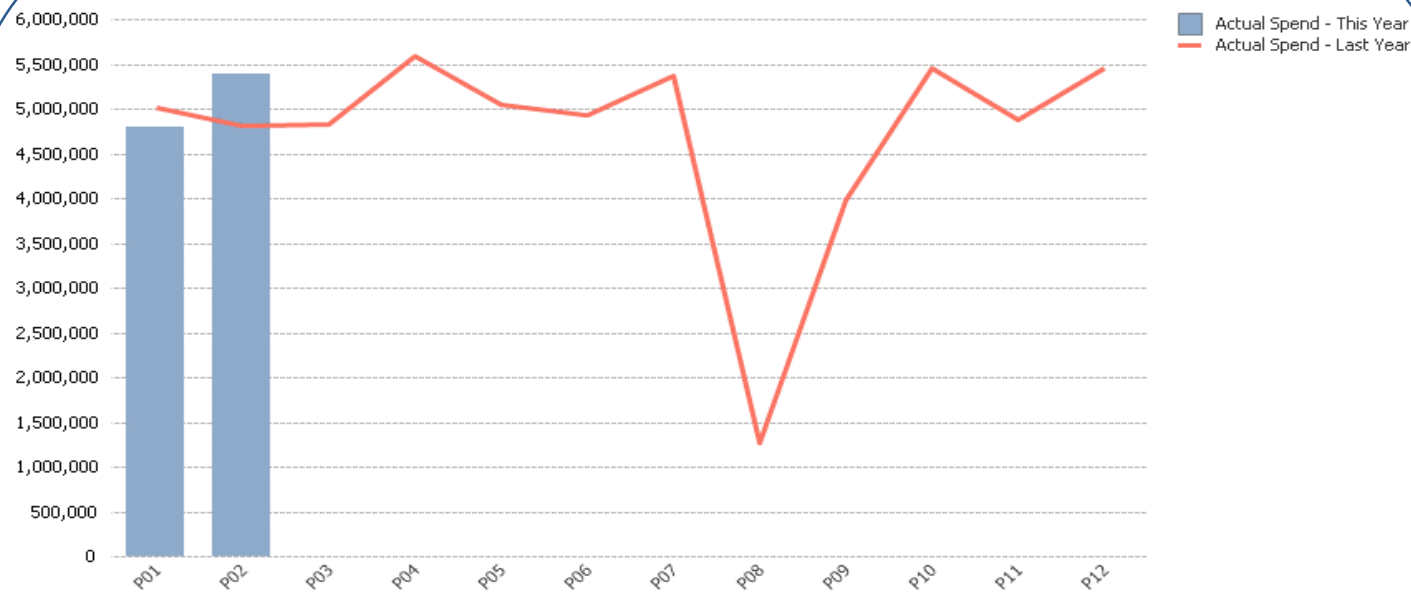


Substantive & Variable Pay Expenditure This Year and Last Year

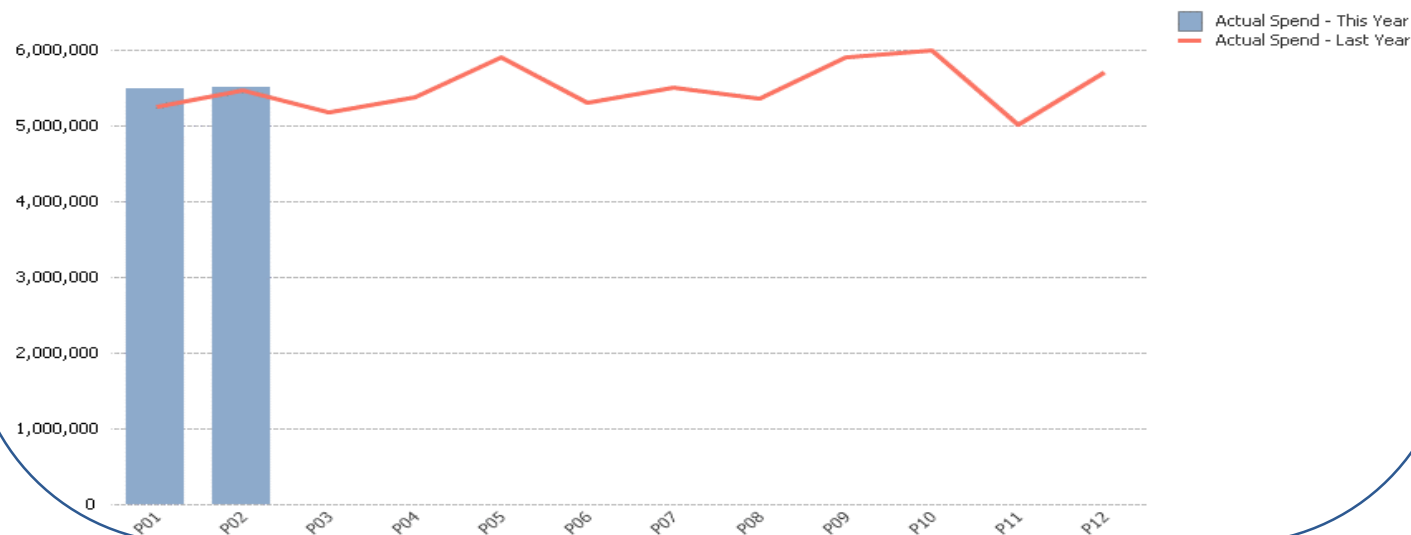


- The prior year trends have been adjusted to remove Bridgend.
- The pay budgets have overspent in P2.
- Whilst the overall expenditure profile appears to be broadly consistent between P1 and P2, P1 included a non-consolidated one-off payment of £1.8m, P2 is therefore comparably higher.
- There has been a further increase in variable pay in P2.
- The most significant increase is in non-medical agency spend, particularly registered nursing.

Secondary Care Drugs Trend Analysis



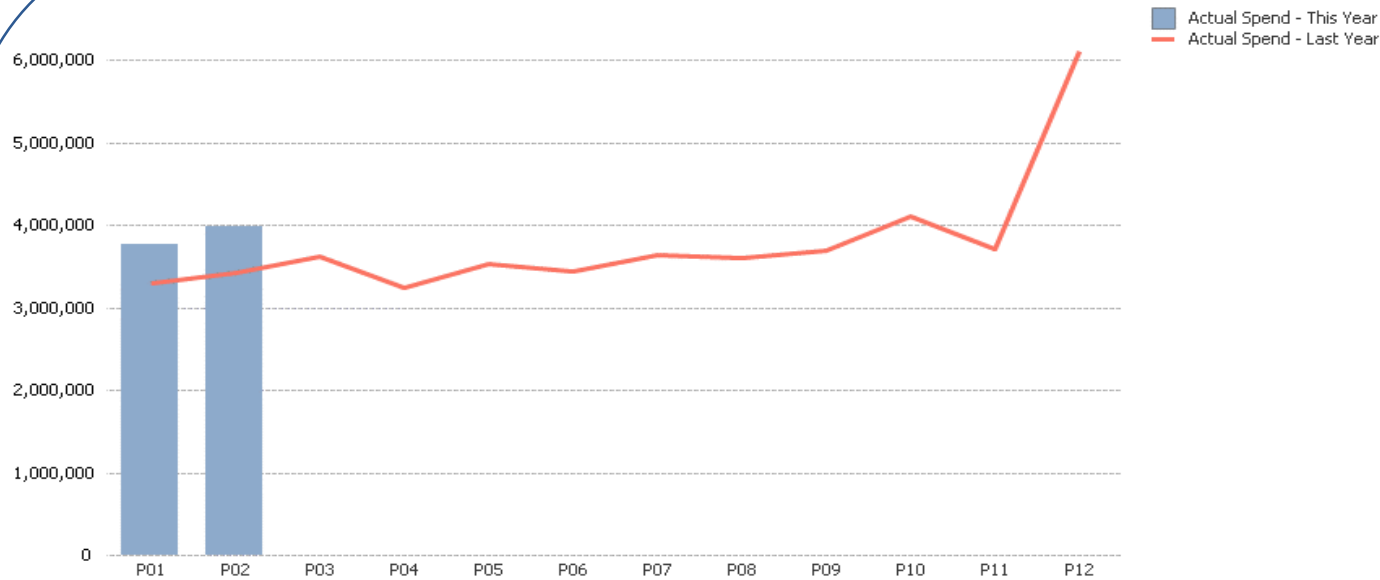
Primary Care Drugs Trend Analysis



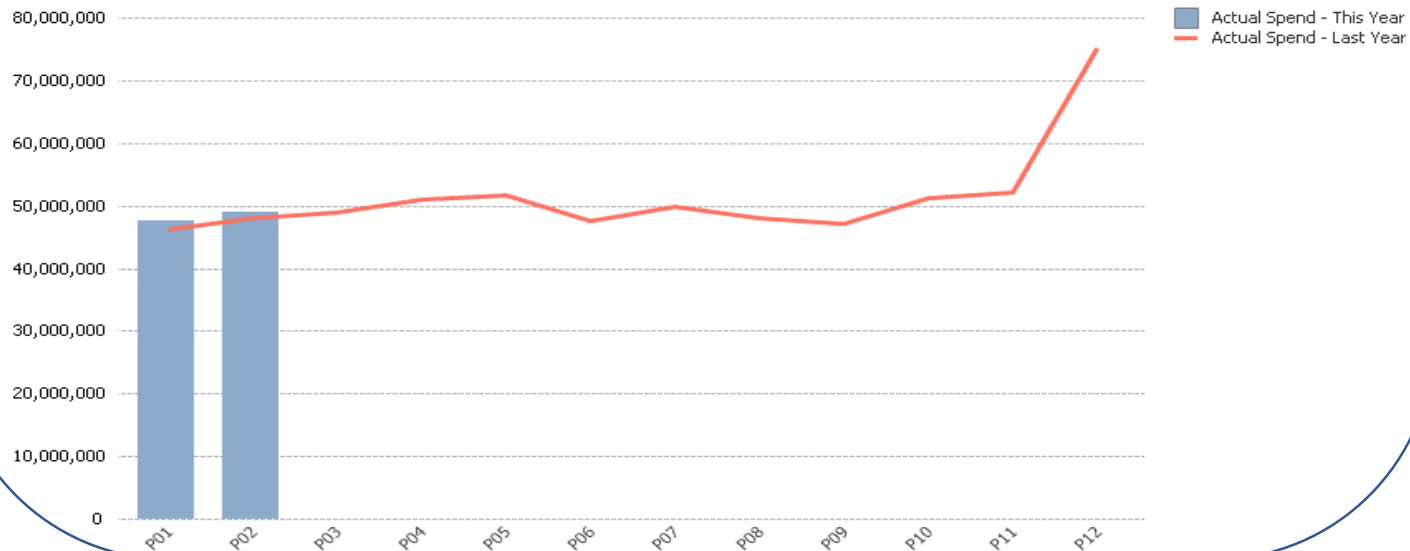
- Secondary drugs were stable in 2018/19, with little or no increase in costs reported compared to previous year.
- The Month 2 expenditure has increased by around £0.8m, with around £0.6m of this increase related to NICE and High Cost Drugs.
- The key increases reflect HIV homecare timing issues and Hep C drugs activity volatility which reflect the impact of a single handed consultant in a high drug cost service area.

- Primary Care drugs were less volatile in 2018/19 than the previous year, due to greater stability of NCSO price concessions.
- The spend in Month 1 2019/20 is higher than the same period of the previous year, however it must be highlighted that at this point the Month 1 and 2 expenditure is based on an estimate due to the two month time lag in reporting primary care drugs expenditure.

CHC Trend Analysis

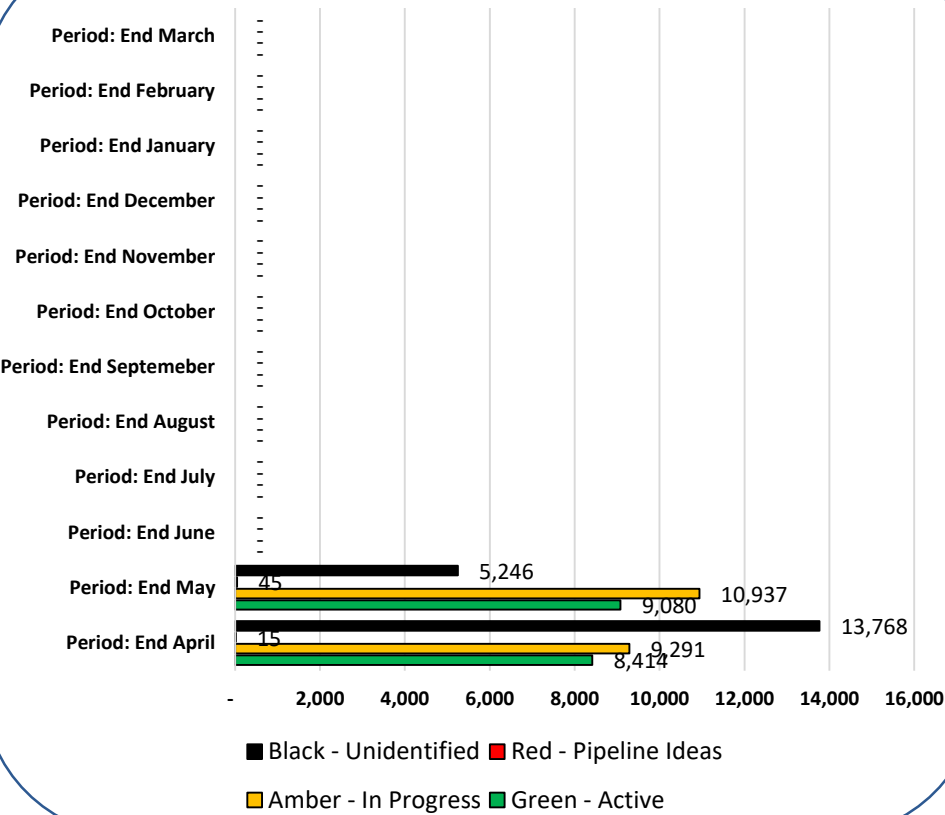


Adhoc Non Pay Trend Analysis

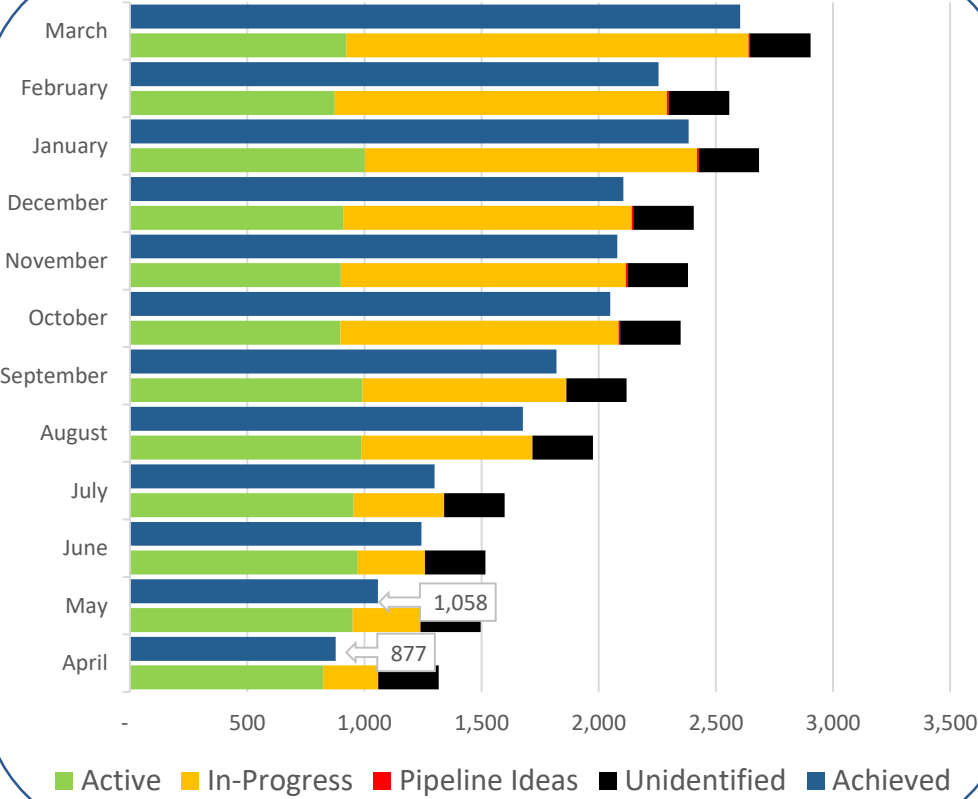


- ChC expenditure saw a steady growth in 2018/19, due to increasing case numbers across all areas.
 - The expenditure for Month 1 and 2 2019/20 are above that of the same period in the previous year.
 - This area represents a financial risk given the full year impact of 2018/19 case growth and ongoing growth levels.
 - Category B - cost control savings – require the Units to absorb growth – £2.2m
-
- Other non-pay expenditure is broadly as anticipated.

Trend over time



Current Profile of Savings



Narrative

- The Health Board has identified £20m of schemes, which is 90% of the overall planned £22m savings requirement. The unidentified savings are higher than £2m as units are also seeking savings to manage pressures.
- The HB is focussed on identifying further savings to meet and exceed the requirement. This will assist in mitigating delivery slippage, operational pressures and support the diseconomies of scale impact.
- Category A Unit Savings schemes are currently considered Amber. Around 70% of the required savings have been identified, however there is delivery slippage against some of the identified schemes.
- Category B Cost Down Savings are considered Green, with high levels of delivery confidence in most areas. The most significant risk is on ChC growth containment.
- Category C High Value Opportunities are currently Amber/Red, with further work underway to increase confidence levels

Narrative

- The actual savings delivery increased in P2, however slippage against identified schemes is still being reported. 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.
- The level of savings delivery is required to step up significantly in future months with only £1.9m of the minimum £22m requirement delivered to date, leaving £20m to be delivered in the remaining 10 months.
- It is essential that necessary actions are taken to support the areas of savings slippage and remaining savings plans are robustly tested to ensure full delivery is achieved.

FINANCIAL RISKS & OPPORTUNITIES LOG

#	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		0	0	0		
1	Savings Requirement not fully delivered	The full £22m savings requirement is not identified or delivered	0	-5000	-3000	Focus on full identification of savings through Financial Recovery meetings and Financial Management Group. Identify and assess the impact of slippage on savings delivery	Lynne Hamilton, Director of Finance
2	Nurse Staffing Act	Expansion of Nurse Staffing Act increases nurse resource requirement	0	-1000	-500	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	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	-1000	-500	Assess clinical risk and identify options to increase capacity to mitigate clinical risk	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	Review impact of current operational pressures on sustainability and financial plans. Identify opportunities to increase efficiency and reduce resource requirement	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	Identify opportunities to reduce the impact through efficiency and restructure. Ongoing discussion with WG over transitional support	Hannah Evans, Director of Transformation
7	Management of New Income Streams	Maximise the opportunities linked to new income streams	1000	0	500	Ensure that all opportunities to access and utilise new income streams are maximised	Lynne Hamilton, Director of Finance
8	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	Due diligence work underway by PWC. WG position being considered	Tracy Myhill, Chief Executive Officer
9	Enhanced Control Measures	Agree and implement enhanced control measures to support operational financial performance	5000	0	3000	Ensure all non-essential and non-fixed costs are robustly managed. This will be supported by the new Delivey Team	Tracy Myhill, Chief Executive Officer
10	Mitigating Actions and Opportunities	Maximise all opportunities both recurrent and non-recurrent	5000	0	4000	Ensure all opportunities, including recurrent and non-recurrent are maximised to support the overall financial delivery	Lynne Hamilton, Director of Finance
			11,000	- 32,500	-		

The Month 2

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;
- Delivery of the planned savings requirement.

The Key Actions for the Health Board are :

- To ensure all planned savings are delivering in full and if not identify further mitigating actions.
- To continue to identify savings schemes and opportunities to exceed the savings requirement.
- To support the detailed planning and implementation of the High Value opportunities.
- To ensure that any local cost pressures are managed within existing resources through mitigations actions, savings and prioritisation of resources.
- To control all non-essential and variable expenditure.