

# SWANSEA BAY LHB FINANCE DEPT. PERFORMANCE & FINANCE COMMITTEE – P08 FINANCE REPORT

Period 08 Data (November 2019)

# EXECUTIVE SUMMARY: PERIOD 08

## In Month

£ 1,192,231 **overspent**

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-21,677	-21,782	-104	-0.48%
Pay	46,915	46,546	-369	-0.79%
Non Pay	51,736	53,401	1,665	3.22%
Total	76,973	78,166	1,192	1.55%

## Cumulative

£ 9,844,992 **overspent**

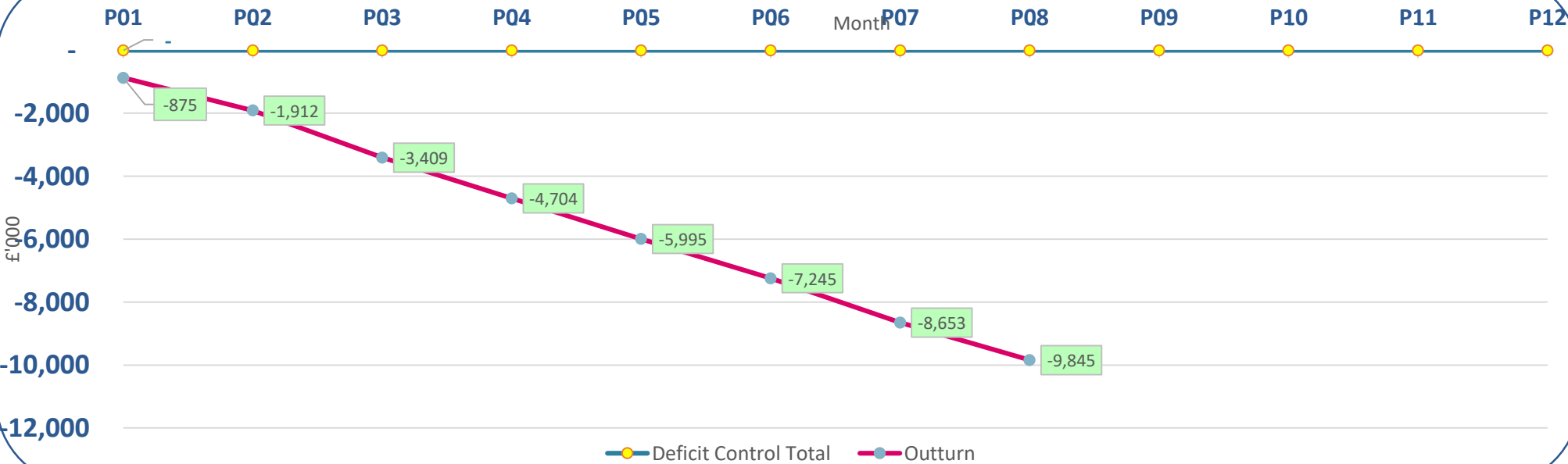
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	-174,171	-175,357	-1,186	-0.68%
Pay	367,586	367,131	-455	-0.12%
Non Pay	389,183	400,668	11,486	2.95%
Total	582,598	592,443	9,845	1.69%

## Forecast

£12,300,000

Type	Full Year Budget (£'000)	Full Year Forecast (£'000)	Forecast Variance (£'000)	% Variance
Income	(242,653)	(247,432)	(4,779)	(1.97%)
Pay	527,657	529,307	1,650	0.31%
Non Pay	564,764	580,193	15,429	2.73%
Total	849,768	862,068	12,300	1.45%

## Full Year Financial Performance and Projection



# TARGETS

## 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)	1,192	↓
Reported year to date financial position – deficit/(surplus)	9,845	↑
Current reported year end forecast – deficit/(surplus)	12,300	→

## 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	(540)	↑

## 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	95.2	↑

## Revenue

- The Health Board committed to achieving financial balance in 2019/20. The Health Board developed a balanced core financial plan, this however excluded 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.
- In light of the key cost drivers, financial performance and risks, the Health Board has declared a year-end deficit of £12.3m.
- The Month 8 reported position is an in-month overspend of £1.192m, which is an improvement on the previous month's performance and the lowest reported overspend since Month 2. This reported position is broadly aligned with the forecast position at this point.
- 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.

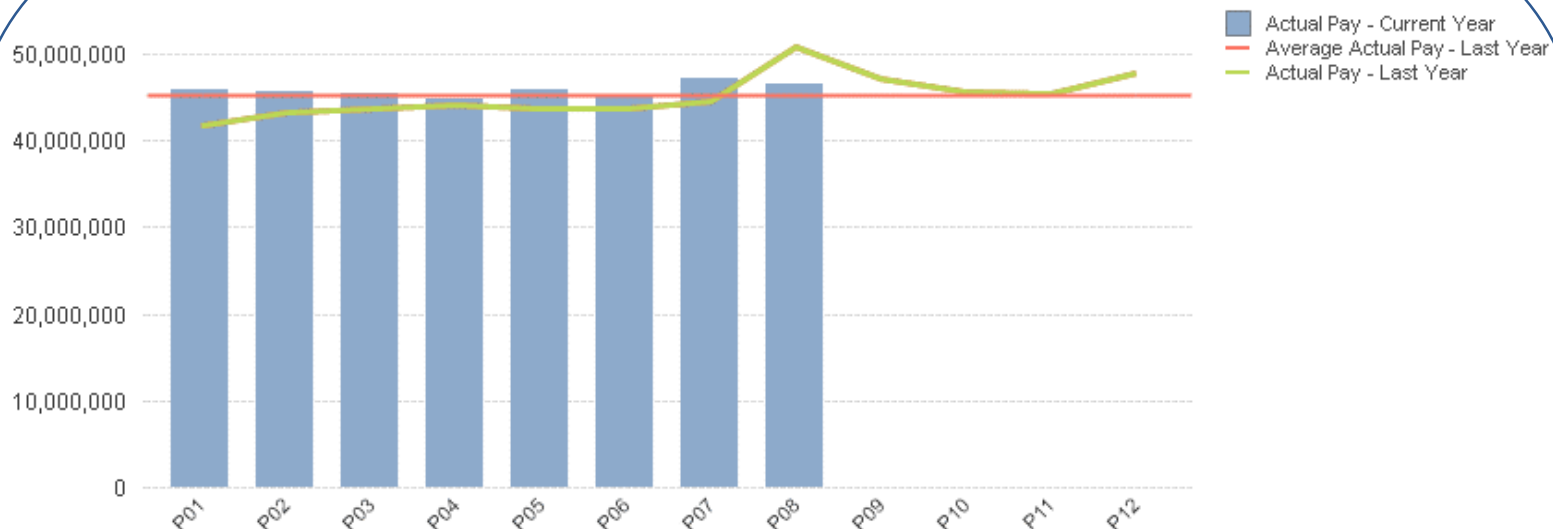
## Capital Narrative

- Approved CRL value for 19/20 issued on 05/12/19 is £25.491m 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 £5.053m being received from WG.

## PSPP Narrative

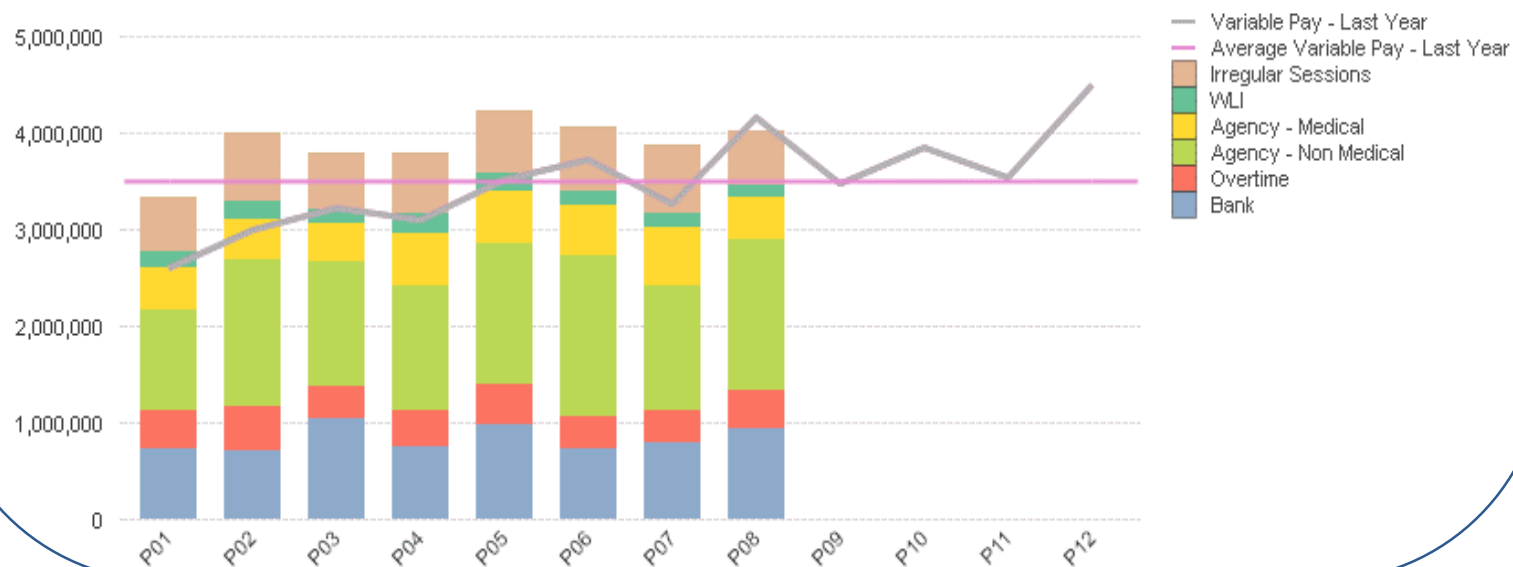
- The number of invoices paid within 30 days in November was above the 95% target, with in month performance being 96.14%
- This resulted in the cumulative compliance for the year increasing from 95.1% to 95.2%.
- It is pleasing to note the improvement in PSPP performance following compliance in September and October being below 95%.
- Given that the cumulative compliance is only just above the 95% figure, it is essential that the 95% target is achieved for the remainder of the financial year in order to achieve the 95% target for the full year.

## Actual Pay Expenditure This Year and Last Year



- The overall pay spend in P8 has reduced following the payment of 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

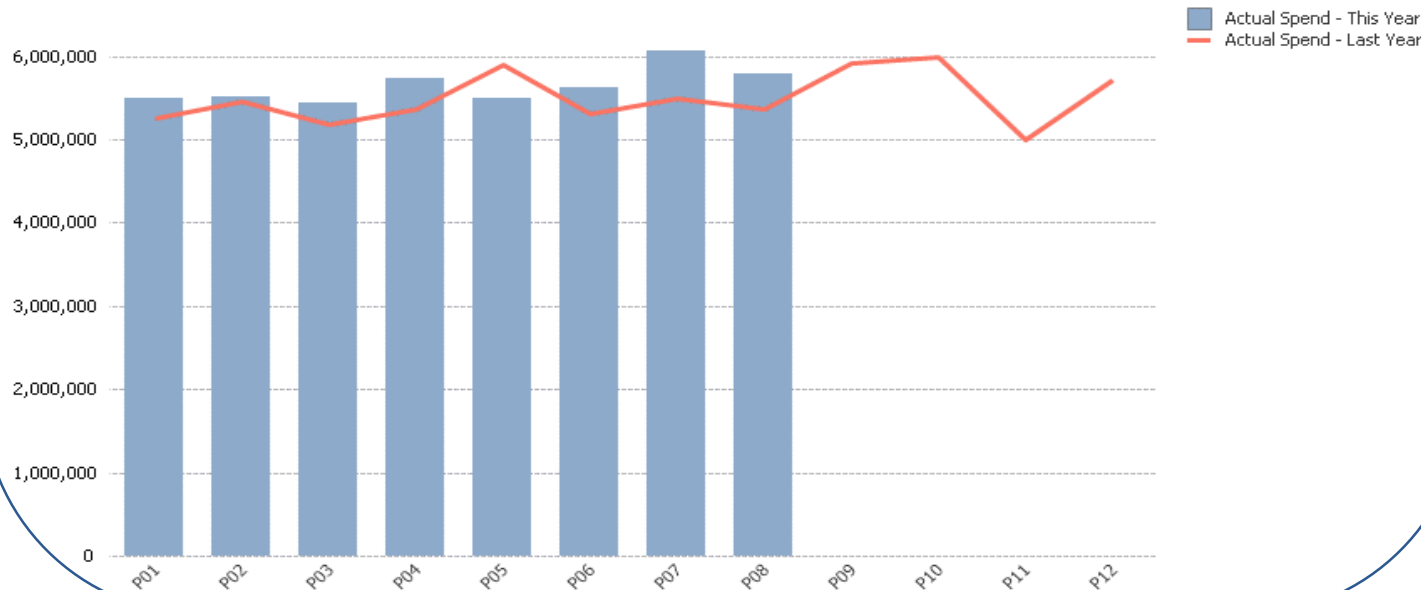


- Variable Pay spend has increased in month particularly non-medical agency spend. Significant pressures have been seen in Critical care and A&E nursing agency, which is being further reviewed.

## Secondary Care Drugs Trend Analysis

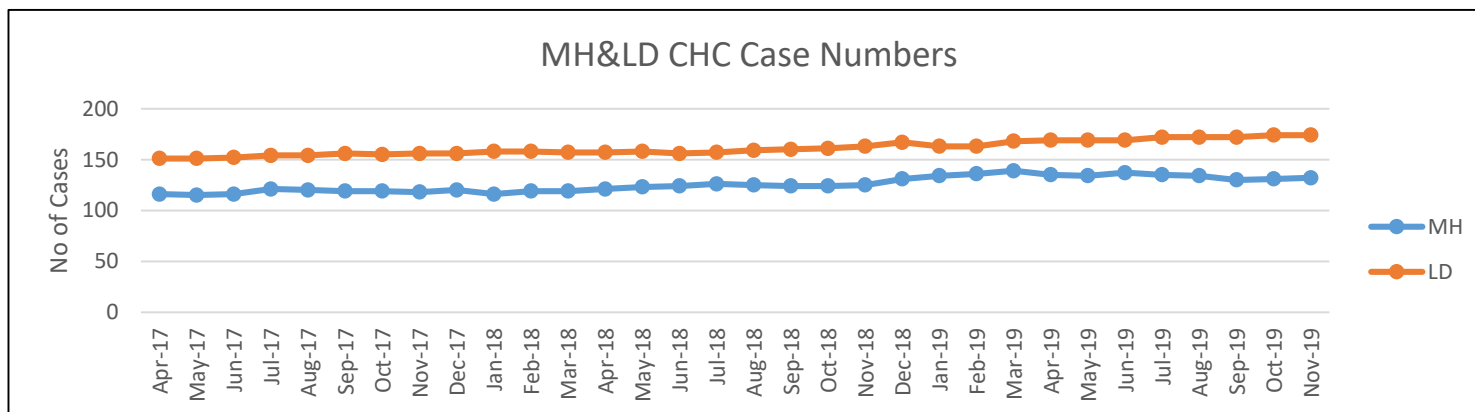
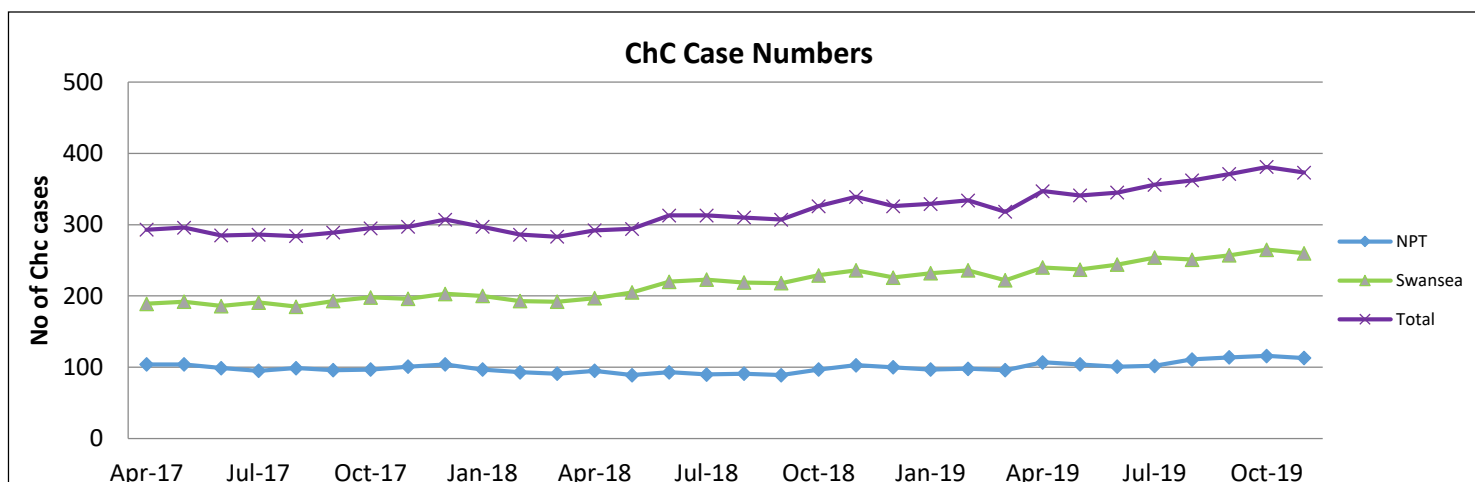
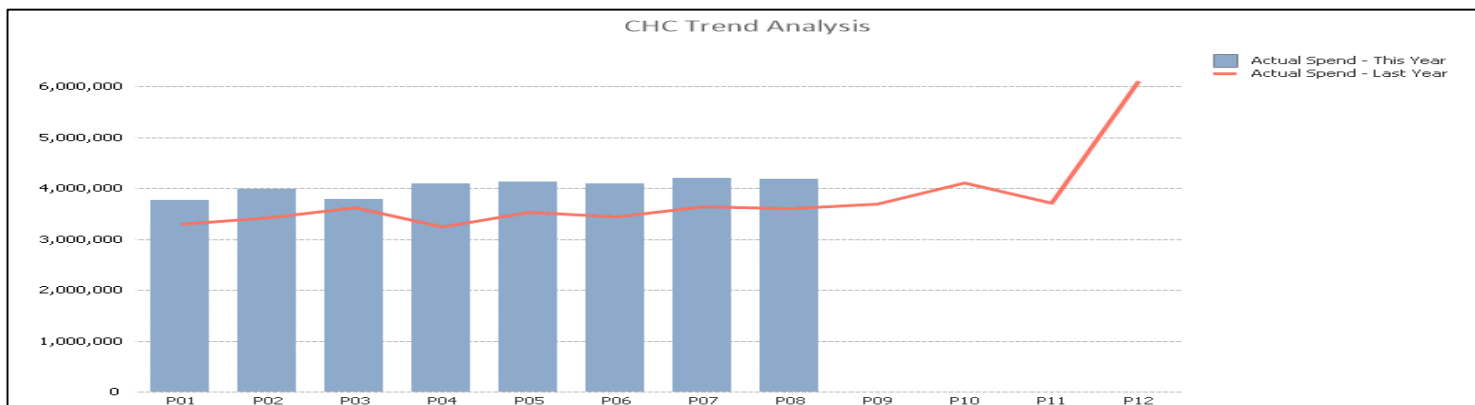


## Primary Care Drugs Trend Analysis



- 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.
  - The HB has also been working with HMP Swansea and Public Health Wales on Hep C within the prison population, which resulted in increased costs during P2-P4.
  - The significant reduction in P8 spend in previous year reflects a one-off technical benefit.
  - There are significant pressures being experienced from the seasonal flu vaccination campaigns. The price and volume impacts are being reviewed.
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- Primary Care drugs were less volatile in 2018/19 than the previous year, due to greater stability of NCSO price concessions.
  - The Cat M drug price increases are now being seen and the impact has been included in the year-end forecast.

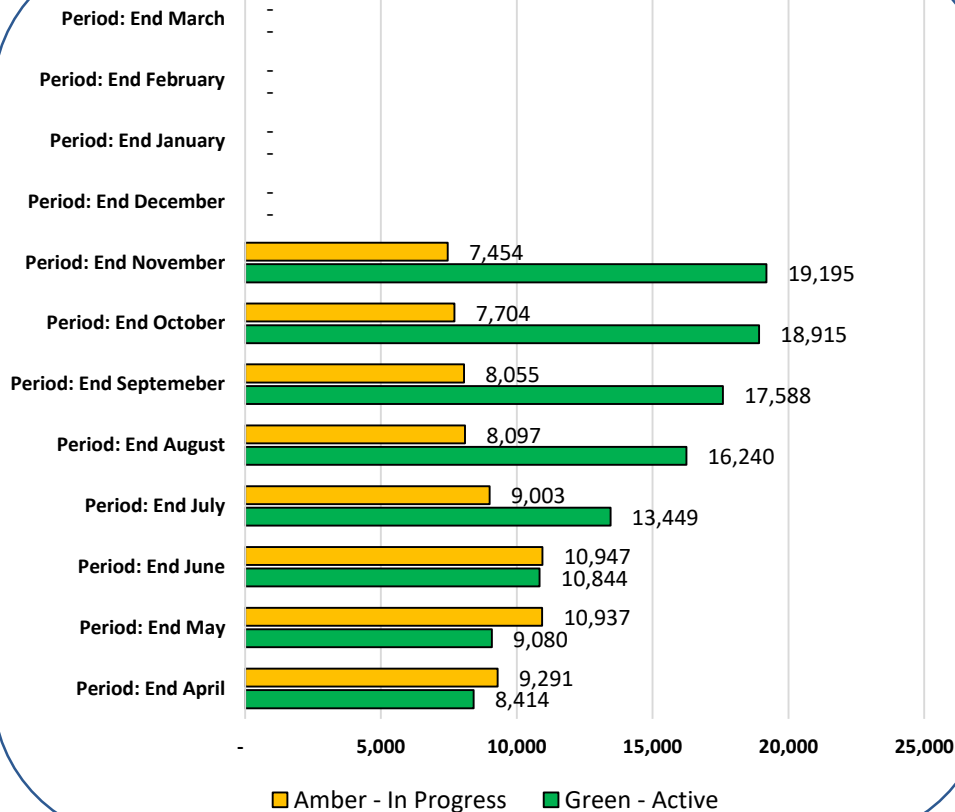
# Health Board – Non Pay



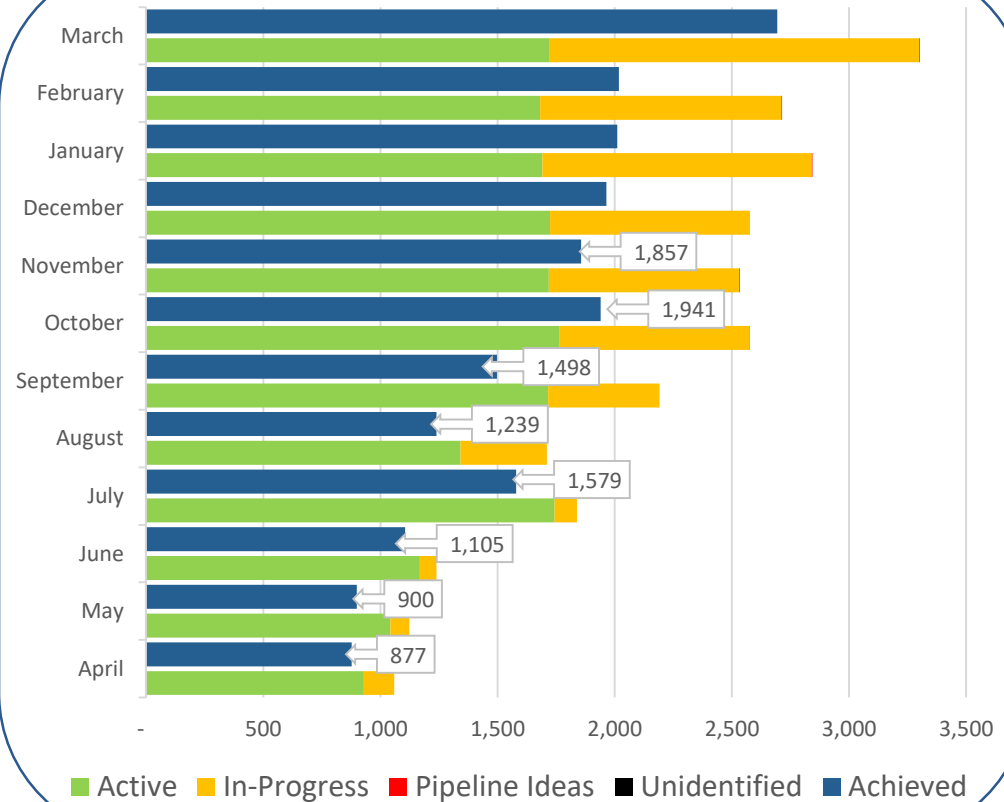
- ChC expenditure saw a steady growth in 2018/19, due to increasing case numbers across all areas.
- The expenditure for 2019/20 is significantly above that of the same period in the previous year and costs are continuing to escalate.
- The financial plan required the estimated growth in case numbers to be managed through improved assessment process and management of clients.
- However the HB has seen continued growth throughout this financial year across all areas.
- The average General ChC cases has increased from 328 in last 6 months of last year to 350 in first 6 months of this financial year.
- The average MH cases have increased from 131 in last 6 months of last year to 134 in first 6 months of this year and LD have increased from 164 case to 170 cases.
- This increase in cases reflects a cost increase of around £2.5m per annum.
- This is an area of significant focus within the Health Board Financial Recovery as it is a significant driver of the operational deficit.

# SAVINGS ANALYSIS

## Trend over time



## Current Profile of Savings



## Narrative

- The Health Board financial plan required £22m savings to be delivered.
- To date, £26.6m of Green and Amber savings have been identified, however the forecast delivery against these schemes is £20.m, 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 been rated as Green or Amber are also included.
- The KPMG work has identified further opportunities to improve financial position in this financial year, these opportunities are mainly enhanced grip and control. These are supporting the Health Board actions to deliver £12.3m but are not currently reflected within savings trackers.

## Narrative

- The actual savings delivery for the first eight months of the years is £11m, with £8.7m forecast delivery in the last four months of the year. KPMG have assessed the delivery confidence of this increasing level of savings and whilst savings are broadly recognised, KPMG have highlighted potential delivery risks.
- 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.

# P08 UNIT PERFORMANCE

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Cumulative
	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	Position
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Service Delivery Units</b>									
Mental Health & LD	145	198	215	218	225	170	90	68	1,329
Morrison	137	236	561	553	525	597	583	575	3,767
NPT Unit	7	122	42	38	60	84	66	31	450
PC & Community	202	363	259	128	362	253	401	256	2,224
Singleton	124	132	143	254	190	151	280	270	1,544
<b>Directorates</b>									
Board Secretary	79	65	71	54	75	68	69	85	566
Chief Operating Officer	107	147	172	144	144	-30	-84	-33	567
Director of Strategy	37	57	44	-13	-11	12	-18	20	128
Director of Transformation	-1	-22	17	1	-2	36	4	1	34
Finance	44	84	76	61	9	10	38	35	357
Informatics	4	-15	13	-46	-57	-54	-9	-30	-194
Medical Director	6	-8	-3	-3	-3	-1	-1	-1	-14
Nurse Director	3	24	23	26	20	48	41	41	226
Workforce & OD	84	78	122	85	57	129	167	104	826
Clinical Medical School	-21	-24	-21	-18	-20	-22	-19	-11	-156
Research & Development	0	0	0	0	0	0	0	0	0
Corporate I&E	-68	0	-41	13	-82	0	0	0	-178
<b>Delegated Budget Position</b>	<b>889</b>	<b>1,437</b>	<b>1,693</b>	<b>1,495</b>	<b>1,492</b>	<b>1,451</b>	<b>1,608</b>	<b>1,411</b>	<b>11,476</b>
Corporate Plan	0	-400	-200	-200	-200	-200	-200	-200	-1,600
<b>Hosted Services</b>									
Delivery Support Unit	-9	5	4	0	-1	-1	0	-19	-21
EMRTS	-5	-5	0	0	0	0	0	0	-10
<b>Health Board Position</b>	<b>875</b>	<b>1,037</b>	<b>1,497</b>	<b>1,295</b>	<b>1,291</b>	<b>1,250</b>	<b>1,408</b>	<b>1,192</b>	<b>9,845</b>

- The Month 8 position improved and is at the lowest level reported since May 2019.
- A number of actions to support improvement in the financial position have started to deliver.
- Through the Financial Recovery Meetings the confidence levels of units/directorates delivering to their control totals is increasing.



# FORECAST POSITION

	Risk Assessed Plan 2019-20 £m	Plan Assessment at Month 7 £m
<b>Forecast Opening Position Post Bridgend Transfer*</b>	<b>-23.3</b>	<b>-23.3</b>
Unavoidable Cost Pressures	-42.3	-42.3
Application of Core Funding Uplift	33.2	33.2
LTA Benefit	0.4	0.4
<b>Required Savings</b>	<b>-32</b>	<b>-32</b>
WG Non Recurrent Funding : supporting developments	10	10
Savings Requirement	22	20.2
<b>Position prior to Bridgend Boundary Change</b>	<b>0</b>	<b>-1.8</b>
Current Diseconomies of Scale	-5.4	-5.4
Mitigating Actions to manage Diseconomies of Scale	5.4	0.4
BBC Transitional Support	0	2
<b>Position including impact of Bridgend Boundary Change</b>	<b>0</b>	<b>-4.8</b>
<b>In Year Cost Pressures :</b>		
Income		-0.8
Workforce		-4
ChC		-3
Additional Capacity Excess Costs		-3
Final Pension Charges		-1.5
Commitments in Advance of Funding		2.5
Maximising Balance Sheet and Technical Benefits		2.5
<b>Recovery Challenge</b>		<b>-12.1</b>
<b>Additional Risks now included in forecast</b>		
Cat M Price Increases		-1.2
Welsh Risk Pool		-1.6
<b>Updated Forecast</b>		<b>-14.9</b>
<b>Actions Recommended to the Board</b>		
Discretionary Non Pay		0.5
Deferred Recruitment		0.3
Primary Care Prescribing		0.3
A&C 50% reduction in bank, agency and overtime		0.25
10% reduction in agency and overtime for AHP, HCS & E&A		0.1
HCSW Agency MH		0.1
Thornbury cessation		0.1
10% reduction in adh		0.2
Non substantive workforce reduction		0.15
Outpatients WLI		0.1
Surge redesign		0.2
Christmas cost reduction		0.3
<b>Forecast following further actions</b>		<b>-12.3</b>

- The Health Board, at its meeting on 28<sup>th</sup> November, agreed to a series of recommended actions to support an improvement in financial performance.
- The Health Board recognised that a breakeven financial position was not deliverable in 2019/20, without significant detrimental impact on service delivery and quality and safety.
- The Health Board has therefore reported a year-end forecast of £12.3m.
- The Welsh Risk Pool impact has been amended in Month 8 following a further update from NWSSP. The forecast has however been maintained at £12.3m as the certainty of further Bridgend transitional support has not progressed and has been removed from the forecast and included as a potential opportunity.
- KPMG work recognises the £12.3m deficit forecast but also highlights the potential delivery risks.

# FORECAST POSITION IMPACT ON DELEGATED POSITION

	<b>Initial Control Total</b>	<b>Adjusted Control Total</b>
<b>Service Delivery Units</b>	<b>£000</b>	<b>£000</b>
Mental Health & LD	<b>1500</b>	<b>1218</b>
Morriston	<b>5000</b>	<b>4452</b>
NPT Unit	<b>700</b>	<b>591</b>
PC & Community	<b>2500</b>	<b>2387</b>
Singleton	<b>2000</b>	<b>1597</b>
<b>Directorates</b>		
Board Secretary	<b>596</b>	<b>546</b>
Chief Operating Officer	<b>746</b>	<b>629</b>
Director of Strategy	<b>113</b>	<b>108</b>
Director of Transformation	<b>53</b>	<b>51</b>
Finance	<b>339</b>	<b>278</b>
Informatics	<b>-300</b>	<b>-531</b>
Medical Director	<b>-18</b>	<b>-45</b>
Nurse Director	<b>286</b>	<b>269</b>
Workforce & OD	<b>1200</b>	<b>1167</b>
Clinical Medical School	<b>-250</b>	<b>-250</b>
Research & Development	<b>0</b>	<b>0</b>
Corporate I&E	<b>-350</b>	<b>-350</b>
	<b>0</b>	
<b>Delegated Budget Position</b>	<b>14115</b>	<b>12115</b>

- Prior to the further actions agreed by the Board, all Service Delivery Units and Directorates were set a financial control total. Actions have been identified to support the delivery of these control totals.
- The impact of the further actions have been assessed and attributed to Units and Directorates as an adjusted control total. The further actions will be closely monitored through Financial Recovery Meetings and Executive Team.

The further actions agreed by the Board in November have been communicated through Senior Leadership Team, Financial Management Group and Financial Recovery Meetings. A more general communication to the whole workforce has also been published on the Health Board intranet.

The key enhanced controls include :

- Non Pay
  - Catalogue restriction for non-essential, non-clinical expenditure
  - Travel review and increased use of Skype (including new guidance)
  - Greater scrutiny through QVC tier 2 panel
  - Medicines Management benefits
- Pay
  - Recruitment to non-rostered vacancies deferred to April 2020
  - Assessment of agency and overtime to reduce reliance
  - Cessation of HCSW agency and restriction of non-contract agency use through improved rostering
  - Improved medical cover planning through Locum on Duty
  - Assessment of all other non-substantive staff costs
  - Outpatient waits reviewed and clinically prioritised
  - Christmas/Seasonal planning
  - Surge Capacity management

There are two key strategic risks which are being treated as outside of the financial position assessment as they are subject to WG consideration and decision.

- WG Performance Funding Claw Back – the Health Board has received £6.5m performance funding to support RTT improvement and ensure no more than 938 patients waiting over 36 weeks for treatment.
- Current performance has fallen below plan and based on this performance, WG could be expected to claw back some or all of this funding.
- The Health Board will consider whether to reduce outsourcing plans for Q4. This could reduce costs by around £1.8m, which would increase numbers waiting over 36 weeks by around 700.
- If all waiting list initiatives/overtime payments were also ceased for Q4, this would reduce costs by around £0.75m. The impact would predominantly be in outpatients (some of which would cross into 36 weeks) and diagnostics.
- £10m non-recurrent WG support is also at risk if the Health Board is unable to provide assurance of the delivery of financial breakeven in 2019/20.

The Month 8 financial performance has highlighted the key drivers of the 2019/20 financial position :

- 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;
- Diseconomies of Scale following Bridgend Boundary Change

The Key Actions for the Executive Board are :

- To ensure all Units and Directorates have identified, implemented and delivered plans to meet the initial control total.
- To ensure that the Board agreed actions are implemented quickly and robustly to ensure maximum delivery and provide further assurance of the £12.3m deficit forecast.
- To ensure that any local cost pressures are managed within existing resources through mitigations actions, savings and prioritisation of resources.
- To ensure any slippage on investments and commitments are reflected as improvement in financial performance rather than re-invested.

These actions are supported by the Delivery Support Team and KPMG work.