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Swansea Bay University  
Health Board

# SWANSEA BAY LHB FINANCE DEPT. PERFORMANCE & FINANCE COMMITTEE – P07 FINANCE REPORT

Period 07 Data (October 2019)

# EXECUTIVE SUMMARY: PERIOD 07

## 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%
<b>Total</b>	<b>75,026</b>	<b>76,432</b>	<b>1,406</b>	<b>1.87%</b>

## Cumulative

**£ 8,652,760 overspent**

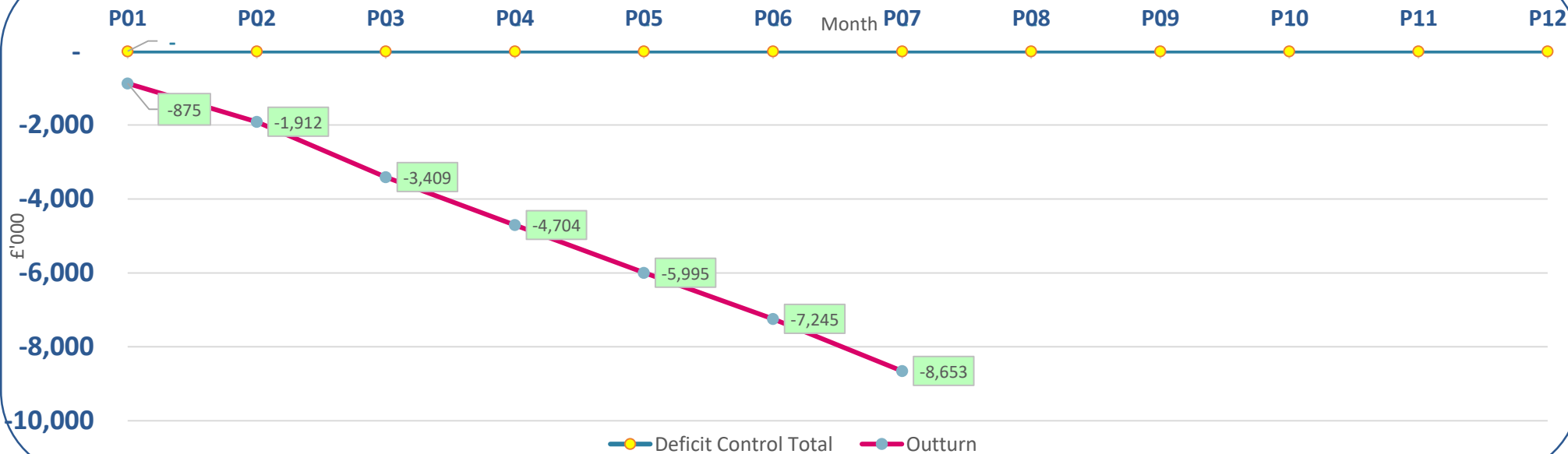
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	(152,494)	(153,575)	(1,082)	-0.71%
Pay	320,671	320,585	(86)	-0.03%
Non Pay	337,447	347,267	9,820	2.91%
<b>Total</b>	<b>505,624</b>	<b>514,277</b>	<b>8,653</b>	<b>1.71%</b>

## 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%
<b>Total</b>	<b>849,768</b>	<b>849,768</b>	<b>0</b>	<b>0%</b>

## 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)	1,408	↑
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

- 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 of 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.

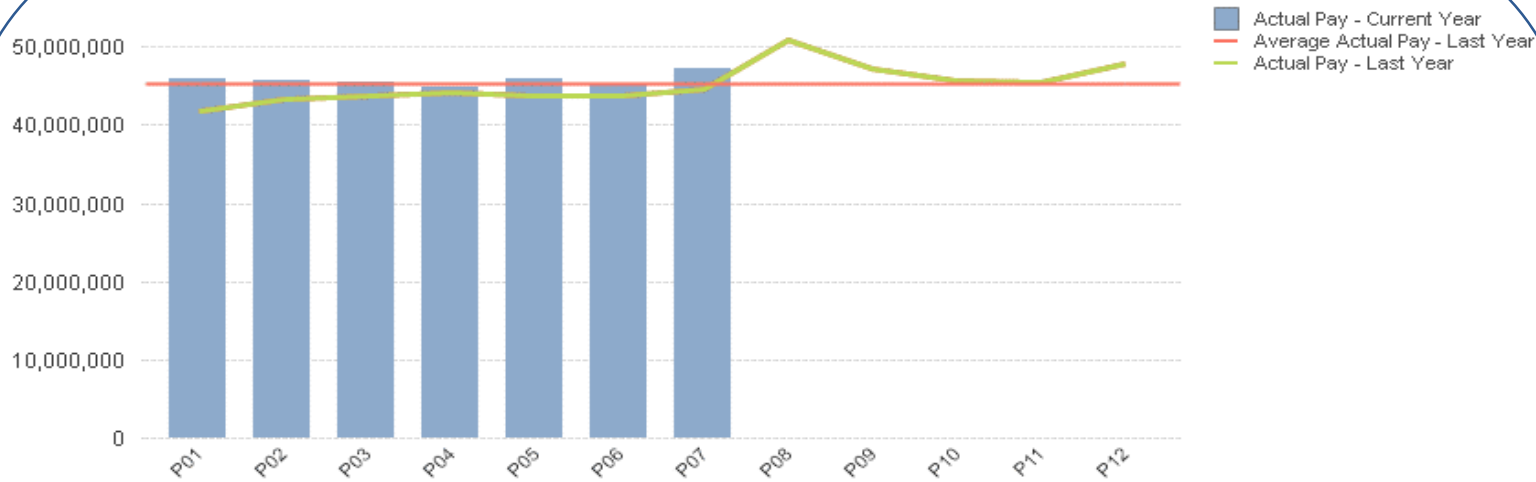
## Capital Narrative

- 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

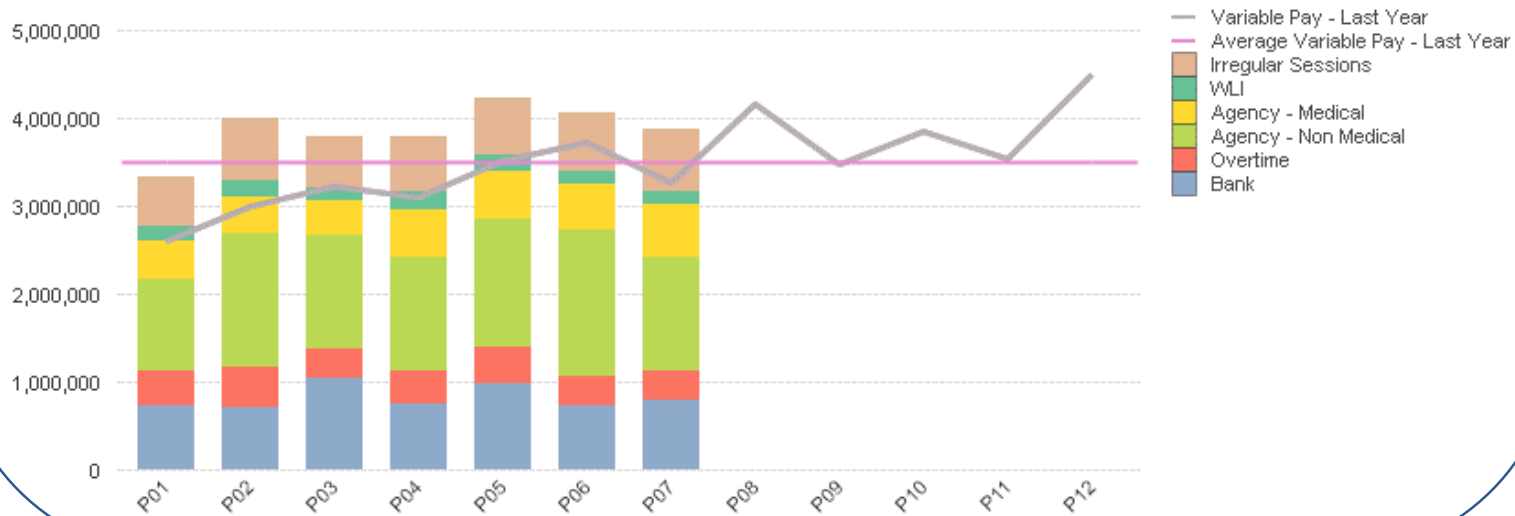
- The number of invoices paid within 30 days in October was below the 95% target, with in month performance being only 92.65% This resulted in the cumulative compliance for the year reducing from 95.5% at the end of September to 95.1% at the end of October. The main issues impacting the PSPP performance 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.

## 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.

# HEALTH BOARD – PAY ANALYSIS

Staff Group	18/19			19/20			Movement		
	Budget	Spend	Variance	Budget	Spend	Variance	Budget	Spend	Variance
<b>Total</b>	<b>552,035,441</b>	<b>542,297,577</b>	<b>- 9,737,864</b>	<b>546,039,534</b>	<b>546,578,418</b>	<b>538,884</b>	<b>- 5,995,907</b>	<b>4,280,841</b>	<b>10,276,748</b>
Administrative & Clerical	75,677,341	73,361,199	- 2,316,142	73,667,222	73,726,200	58,978	- 2,010,119	365,001	2,375,120
Medical And Dental	137,174,207	136,304,837	- 869,370	130,462,154	130,165,150	- 297,004	- 6,712,053	- 6,139,687	572,366
Nursing And Midwifery Registered	173,510,738	165,855,758	- 7,654,980	178,229,388	171,131,278	- 7,098,110	4,718,650	5,275,520	556,870
Add Prof Scientific And Technical	18,622,459	17,020,076	- 1,602,383	19,033,272	17,660,012	- 1,373,260	410,813	639,936	229,123
Additional Clinical Services	63,886,812	66,364,664	2,477,852	66,732,912	70,679,572	3,946,660	2,846,100	4,314,908	1,468,808
Allied Health Professionals	39,947,415	37,470,654	- 2,476,761	38,529,442	36,732,096	- 1,797,346	- 1,417,973	- 738,558	679,415
Healthcare Scientists	16,846,037	16,355,820	- 490,217	16,895,178	16,593,336	- 301,842	49,141	237,516	188,375
Estates And Ancilliary	30,015,111	29,496,166	- 518,945	30,177,900	29,885,550	- 292,350	162,789	389,384	226,595
Students	50,229	68,403	18,174	1,020	5,224	4,204	- 49,209	- 63,179	- 13,970
Pay Adjustments	- 3,694,908	-	3,694,908	- 7,688,954	-	7,688,954	- 3,994,046	-	3,994,046

The table highlights that the Health Board underlying position was supported by an underspend of almost £10m in 2018/19.

Extrapolating the 2019/20 month 6 financial position to a full year, shows that the pay position has moved from a significant underspend to a slight overspend (£0.546m)

The Bridgend Boundary Change diseconomies account for £5m of this movement.

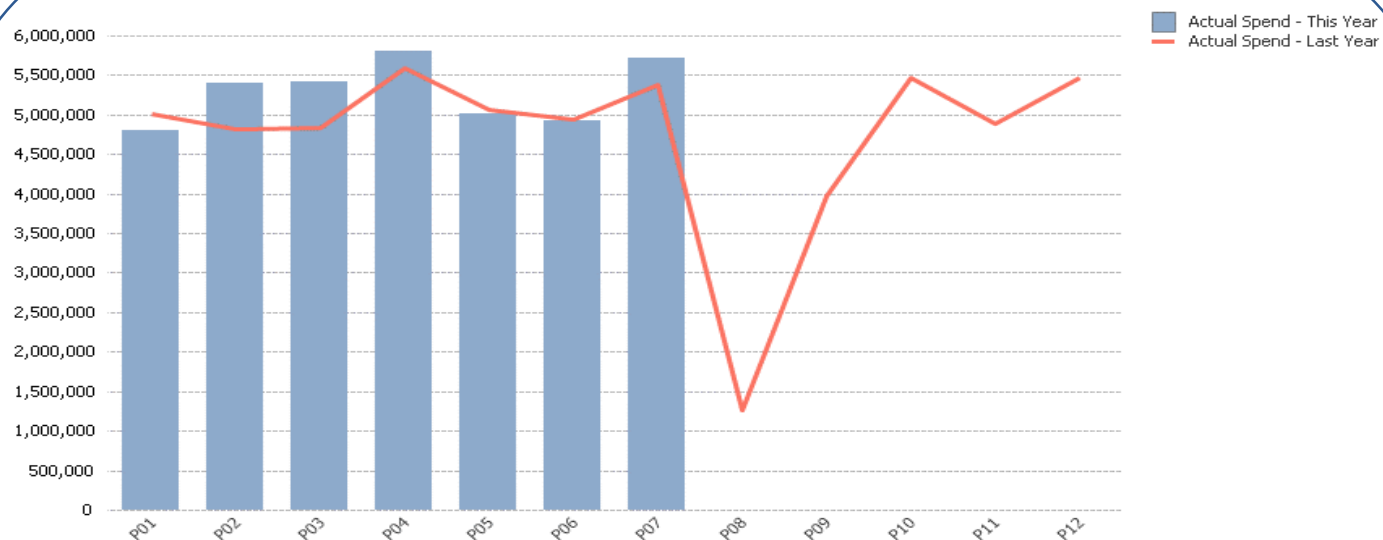
The remaining £5m, is made up of :

£2m Nursing, where nursing costs have increased in excess of planned inflation and agreed investments. This is predominantly in Murrison and is described as increasing patient acuity.

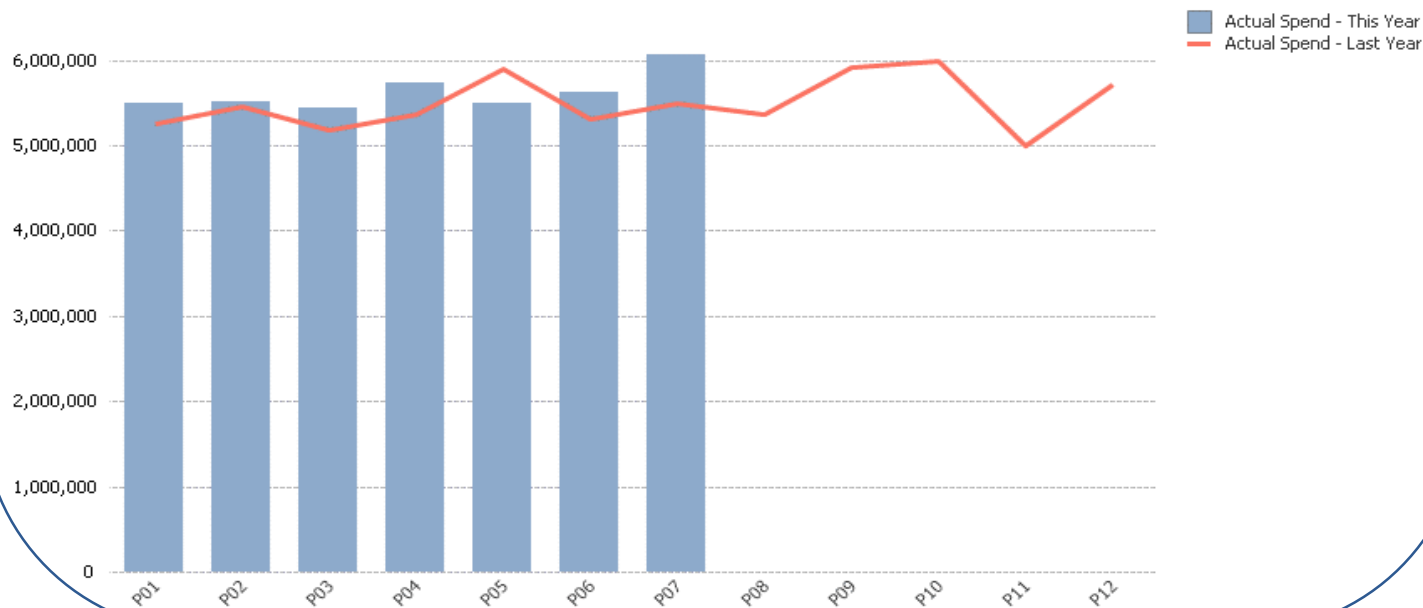
£2m A&C, which in the main reflects the corporate transfer of vacancies to CTM, which has effectively increased the Health Board underlying deficit.

£1m other staff groups, through filling of vacancies and increasing variable pay.

## Secondary Care Drugs Trend Analysis

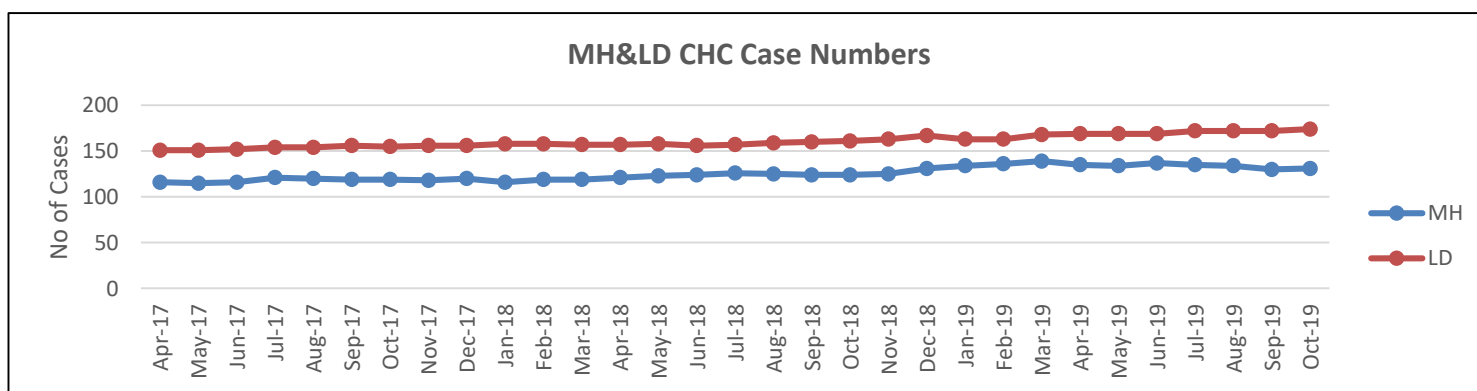
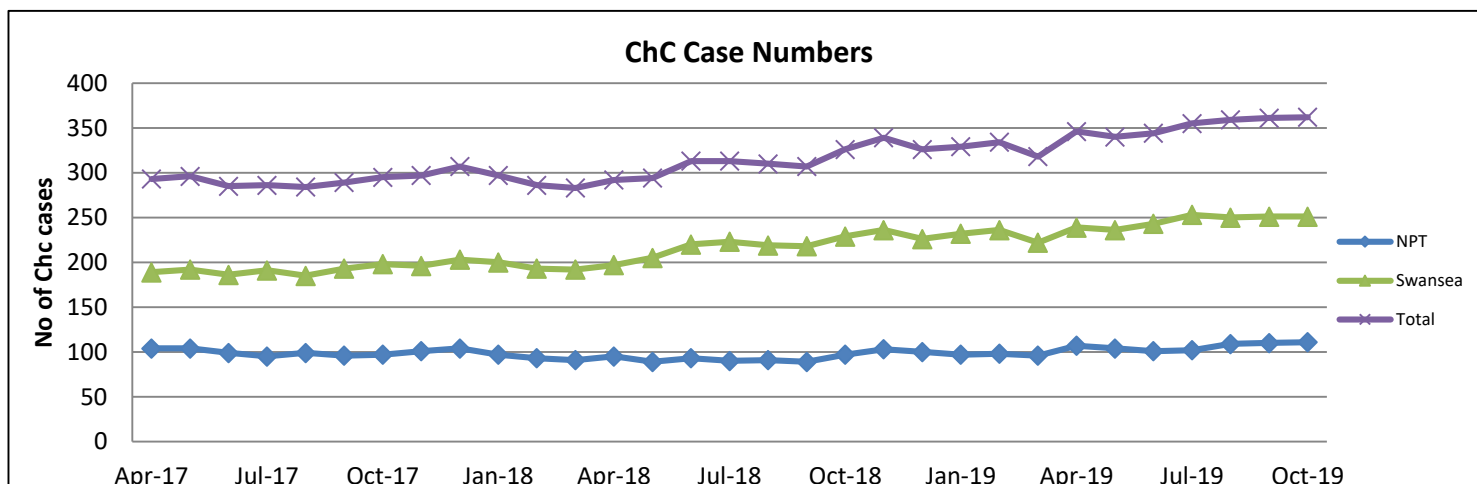
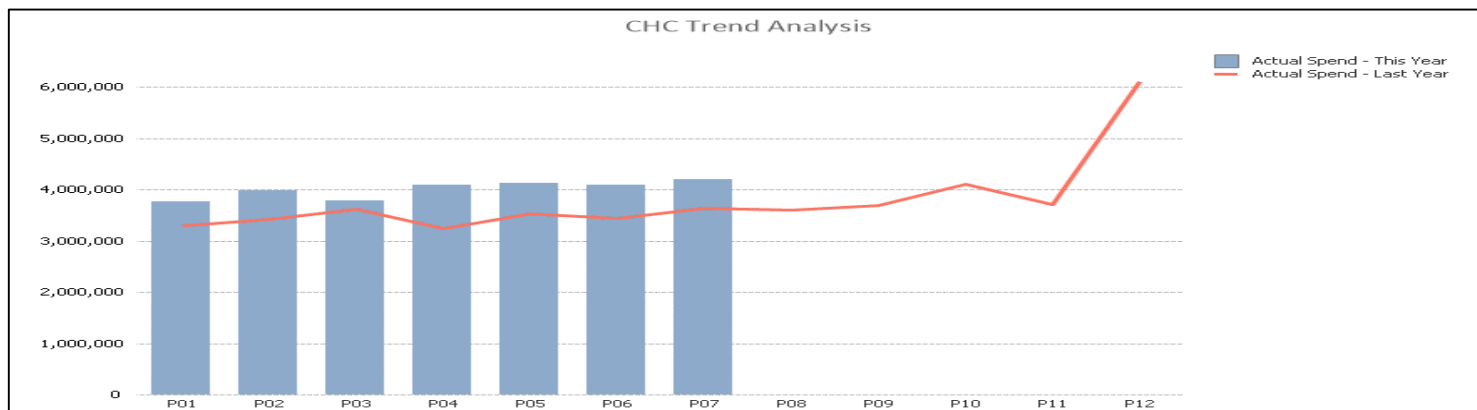


## Primary Care Drugs Trend Analysis



- 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 spike in P7 reflects cyclical spend patterns, however 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 which are being seen in P7, these are continuing to be assessed and mitigating actions identified.

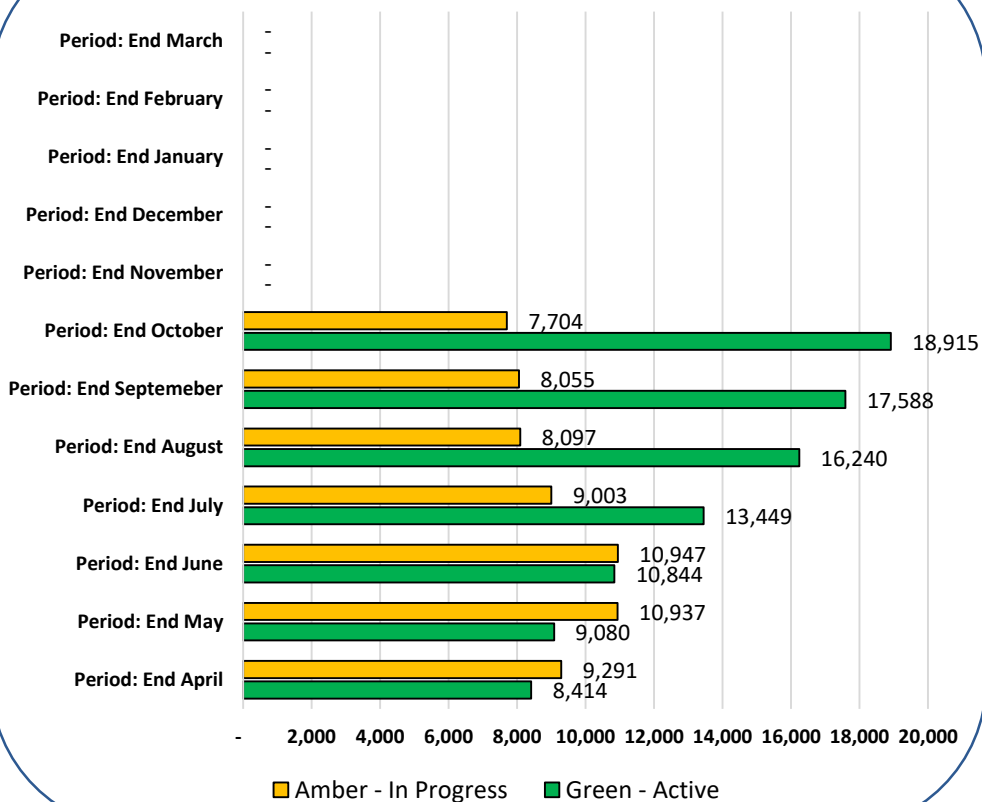
# Health Board – Non Pay



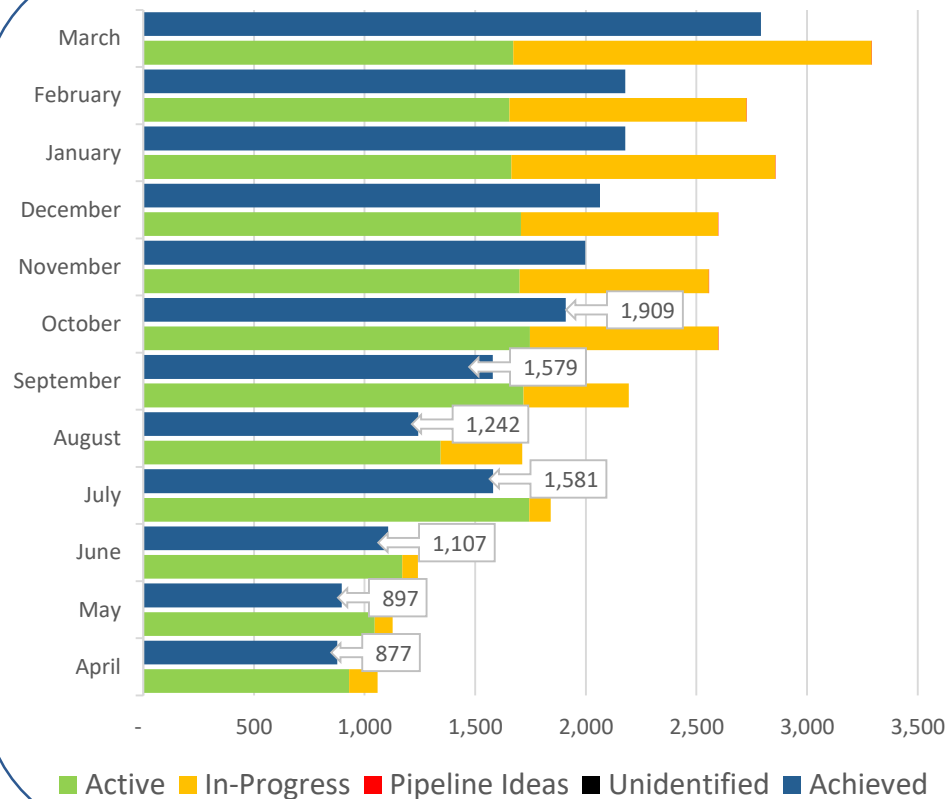
- ChC expenditure saw a steady growth in 2018/19, due to increasing case numbers across all areas.
- The expenditure for 2019/20 is significantly above that of the same period in the previous year and costs are continuing to escalate.
- The financial plan required the estimated growth in case numbers 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, £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.



	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Cumulative
	In Month	In Month	In Month	In Month	In Month	In Month	In Month	Position
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Service Delivery Units</b>								
Mental Health & LD	145	198	215	218	225	170	90	1,261
Morrison	137	236	561	553	525	597	583	3,192
NPT Unit	7	122	42	38	60	84	66	419
PC & Community	202	363	259	128	362	253	401	1,968
Singleton	124	132	143	254	190	151	280	1,274
<b>Directorates</b>								
Board Secretary	79	65	71	54	75	68	69	481
Chief Operating Officer	107	147	172	144	144	-30	-84	600
Director of Strategy	37	57	44	-13	-11	12	-18	108
Director of Transformation	-1	-22	17	1	-2	36	4	33
Finance	44	84	76	61	9	10	38	322
Informatics	4	-15	13	-46	-57	-54	-9	-164
Medical Director	6	-8	-3	-3	-3	-1	-1	-13
Nurse Director	3	24	23	26	20	48	41	185
Workforce & OD	84	78	122	85	57	129	167	722
Clinical Medical School	-21	-24	-21	-18	-20	-22	-19	-145
Research & Development	0	0	0	0	0	0	0	0
Corporate I&E	-68	0	-41	13	-82	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>10,065</b>
Corporate Plan	0	-400	-200	-200	-200	-200	-200	-1,400
HVO								0
Additional Capacity								0
Pensions								0
Balance sheet/Tech Opps								
Funding Opps								
Diseconomies transition								
<b>Hosted Services</b>								
Delivery Support Unit	-9	5	4	0	-1	-1	0	-2
EMRTS	-5	-5	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>8,653</b>

- The Month 7 position deteriorated from the position in the preceding three months.
- The main areas of deterioration were in Primary Care and Community, Singleton and Workforce and OD.
- The Primary Care and Singleton positions were broadly as per forecasts.
- The WOD position reflects some unexpected backdated costs and it would not be anticipated that the in month position will continue at this level.

# RECOVERY CHALLENGE – DELEGATED POSITION

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Cumulative		Updated
	In Month	In Month	In Month	In Month	In Month	In Month	Position		Forecast/Target
	£000	£000	£000	£000	£000	£000	£000		£000
<b>Service Delivery Units</b>									
Mental Health & LD	175	168	128	127	130	130	2,029		1,500
Morrison	647	560	521	513	516	499	5,865		5,500
NPT Unit	61	88	81	83	115	81	862		700
PC & Community	393	393	393	393	393	-32	3,500		2,500
Singleton	281	295	301	304	308	326	2,809		2,000
<b>Directorates</b>									
Board Secretary	69	69	63	61	61	59	794		596
Chief Operating Officer	46	67	44	130	9	15	995		746
Director of Strategy	4	4	4	4	4	4	150		113
Director of Transformation	7	7	7	7	7	7	71		53
Finance	28	28	28	28	28	28	452		339
Informatics	-24	-24	-24	-24	-24	-24	-299		-300
Medical Director	-2	-2	-2	-2	-2	-2	-24		-18
Nurse Director	29	35	33	44	42	55	382		826
Workforce & OD	91	91	91	91	91	91	1,101		1,200
Clinical Medical School	-21	-21	-21	-21	-21	-21	-252		-250
Research & Development	0	0	0	0	0	0	0		0
Corporate I&E	-29	-29	-29	-29	-29	-29	-352		-350
Improvement to get back to	-500	-500	-500	-500	-500	-500	-3,000		0
<b>Delegated Budget Position</b>	<b>1,255</b>	<b>1,229</b>	<b>1,118</b>	<b>1,209</b>	<b>1,128</b>	<b>687</b>	<b>15,083</b>		<b>15,155</b>
Corporate Plan	-200	-200	-200	-200	-200	-200	-2,400		-2,400
HVO							2,200		2,200
Additional Capacity							3,000		3,000
Pensions							1,500		1,500
Balance sheet/Tech Opps							-2,500		-2,500
Funding Opps							-2,500		-2,500
Diseconomies transition							-2,000	-300	-300
<b>Hosted Services</b>									
Delivery Support Unit	1	0	0	0	1	0	0		0
EMRTS	0	2	2	2	2	2	0		0
<b>Health Board Position</b>	<b>1,056</b>	<b>1,031</b>	<b>920</b>	<b>1,011</b>	<b>931</b>	<b>189</b>	<b>12,383</b>		<b>12,455</b>

- The delegated forecast position as at Month 6 had deteriorated from the £15m deficit forecast in July to a position of around £18m and through the Financial Recovery meetings each Unit and Directorate have been challenged to significantly reduce these forecasts.
- The forecast profile of the £18m is shown in the table above.
- The final column provides the latest assessed and targeted position for each unit, reflecting the efforts being made to reduce the £18m forecast back to £15m. Work is still required to provide full delivery confidence of this £15m.
- It must be highlighted that a number of the mitigating actions will be expected to reduce the delegated positions further and it is essential that all Service Delivery Unit Directors and Corporate Directors fully recognise the expectation and double count of mitigation is avoided.

	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		-1	
Workforce		-4	
ChC		-3	
Additional Capacity Excess Costs		-3	
Final Pension Charges		-1.5	
Optimising Funding/Income Opportunities		2.5	
Maximising Balance Sheet and Technical Benefits		2.5	
<b>Recovery Challenge</b>		<b>-12.3</b>	
<b>Risks</b>			<b>Certainty</b>
Cat M Price Increases		-1.2	Medium
Welsh Risk Pool		-1.4	High
<b>Potential Choices and Mitigation</b>			
Unit Actions		1	Medium
Enhanced Controls supported by KPMG		2	Medium
Further savings delivered to mitigate Cat M price increases		1.2	Low
Reduction in additional Capacity		1	Low
Workforce constrained to funded levels		1	Low
<b>Recovery Challenge following Potential Risks &amp; Mitigations</b>		<b>-8.7</b>	

- Based on the delivery of the £12m shown on the previous slide, the Health Board has identified further known risks and potential mitigations and choices, which if all delivered could potentially reduce the deficit to £8.7m.
- It must be highlighted that the risks are becoming increasingly certain. The latest position on Welsh Risk Pool from DOFs on 15<sup>th</sup> November indicates that the £1.4m has increased to £2.4m and WG are expecting this to be included in HB forecasts.
- The unit actions and enhanced controls will be essential to mitigate these risks to the £12.3m deficit forecast.
- Pharmacy are exploring opportunities to mitigate some of the Cat M price increase impact but this is unlikely to fully mitigate the risk.
- The Hospital to Home service is expected to have a positive impact on bed capacity requirements reducing the requirement for surge capacity. WG have indicated that they would recommend the additional surge capacity being used to improve unscheduled care performance rather than financial performance.
- There are some areas where due to service pressures staff above agreed establishment are being deployed. Constraining to funded levels must be considered, however this will need full QIA to ensure consequences are fully understood.

- The Health Board explored a range of opportunities as part of the financial recovery plan, with potential opportunities amounting to around £14m.
- To date £3.8m have been taken forward and included in the HB savings tracker, with a further £1m-£2m still being pursued.
- Around £8m of the schemes were reviewed and following the QIA were considered too great a risk to service to pursue. These included :
  - Reduction in bed capacity
  - Nurse staffing below acuity requirements
  - Significant reduction in bank and agency
  - CHC restriction to available funding

The support from KPMG has recommended the Health Board focus on three main areas to maximise financial improvement in-year and longer term.

- Signalling
  - Driving grip and control compliance
  - Defer non-essential non-clinical spend
- Review of Investment Decisions
  - Risk based review of investment and spending decisions ie what can be reversed, reduced, deferred.
- Transformation
  - Drive pipeline efficiency opportunities. This will clearly have longer term benefits.

These choices are being developed in conjunction with KPMG for the Health Board meeting on 28<sup>th</sup> November.

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 7 financial performance has highlighted the key risks to the delivery 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 planned savings continue to deliver in accordance with forecast and drive to deliver to plan.
- To continue to identify savings schemes and opportunities to exceed the savings requirement and reduce the financial forecast.
- To drive the implementation of the detailed High Value opportunities plans.
- 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.
- To ensure strong controls on all non-essential and variable expenditure linked to the KPMG Grip and Control workshop.
- Develop further choices for the Board to consider on 28<sup>th</sup> November

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