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Bwrdd Iechyd Prifysgol  
Bae Abertawe  
Swansea Bay University  
Health Board



<b>Meeting Date</b>	<b>30<sup>th</sup> January 2020</b>	<b>Agenda Item</b>	<b>2.3</b>
<b>Report Title</b>	Financial Report – Period 9		
<b>Report Author</b>	Samantha Lewis, Assistant Director of Finance		
<b>Report Sponsor</b>	Lynne Hamilton, Director of Finance		
<b>Presented by</b>	Lynne Hamilton, Director of Finance		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	The report advises the Board of the Health Board financial position for Period 9 (December 2019).		
<b>Key Issues</b>	<p>The report invites the Board to note the detailed analysis of the financial position for Period 9 2019/20.</p> <p>The report also invites the Board to note the capital budget forecast position, cash position and key balance sheet movements.</p>		
<b>Specific Action Required</b> <i>(please choose one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>CONSIDER</b> and comment upon the Board’s Period 9 financial performance, in particular: <ul style="list-style-type: none"> <li>i. the revenue outturn position; cumulative overspend of £11.101m, the revenue outturn forecast and the revenue risk profile;</li> <li>ii. the capital forecast position;</li> <li>iii. balance sheet movements;</li> <li>iv. cash position; and</li> <li>v. Performance against the Public Sector Payment Policy compliance.</li> </ul> </li> <li>• <b>NOTE</b> the current year-end forecast and the significant delivery risks.</li> </ul>		

## FINANCIAL REPORT – PERIOD 9

### 1. INTRODUCTION

The report advises the Board that the Period 9 (December 2019) revenue financial position is an overspend of £11.101m.

The report invites the Board to note the detailed analysis of the revenue financial position.

The report also invites the Board to note the capital budget forecast position, cash position and key balance sheet movements.

### 2. BACKGROUND

#### 2.1 The Health Board has two key statutory duties to achieve:

- **To submit an Integrated Medium Term Plan (IMTP) to secure compliance with breakeven over 3 years.**

2017/18 No Approved Plan

2018/19 No Approved Plan

2019/20 No Approved Plan

The Health Board will fail to achieve this Statutory Duty.

- **To achieve financial breakeven over a rolling three year period, which commenced on 1 April 2017 and will end on 31 March 2020.**

2017/18 £32.4m Overspend

2018/19 £9.9m Overspend

2019/20 £12.3m Forecast Overspend

The Health Board will fail to achieve this Statutory Duty.

#### 2.2 Summary of Performance against Key Financial Targets

<b>Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government</b>	<b>Value £000</b>
Reported in-month financial position – deficit/(surplus)	1,256
Reported year to date financial position	11,101
Current year-end Forecast – deficit/(surplus)	12,300
<b>Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government</b>	<b>Value £000</b>

Reported In-month financial position – deficit/(surplus)	(1,449)
Forecast Outturn – deficit/(surplus)	0
<b>PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice</b>	<b>Value %</b>
Cumulative year to date % of invoices paid within 30 days (by number)	94.3

### 3. FINANCIAL IMPLICATIONS

#### 3.1 Revenue Position

##### 3.1.1 Summary Revenue Position

The Health Board committed to delivering a breakeven financial position. The Health Board has developed a balanced core financial plan. However, the £22m savings plan to deliver the balanced core financial plan did not include a detailed plan to address the impact of the corporate and clinical management diseconomies of scale following the Bridgend boundary change. This required a further £5.4m of mitigating actions to be identified and delivered.

Throughout the year the Health Board has been reporting an overspend. As the year has progressed the ability to recover this overspend and deliver financial balance has become increasingly challenging.

The Health Board meeting on 28 November 2019 considered the actions required to deliver a breakeven position and whilst agreeing a number of improvement actions, did not agree actions which would have adversely affected patient care. Therefore following the Period 8 the Health Board adjusted its year-end forecast to an overspend of £12.3m.

The Health Board reported an overspend of £1.256m in Period 9 (December 2019), this results in a cumulative overspend to the end of December of £11.101m

The key reasons for the overspend are:

- i. Increased expenditure and delegated budget overspends as a consequence of sustained operational pressures, particularly the workforce and contract income impact of the continuing unscheduled care pressures and also Continuing Healthcare demand; and
- ii. required savings not being fully identified and delivered;

- iii. corporate and clinical management diseconomies of scale linked to the Bridgend Transfer.

### **3.1.2 Income**

Income budgets have reported an over-achievement of £1.370m for the first nine months of the financial year. Despite the over-achievement, there are pressures associated with contract income as delivery is being adversely impacted on by unscheduled care pressures. Further pressure is anticipated following the decision to cease private patient work at Morriston during the winter months to support unscheduled care.

Allocations anticipated by the Health Board include:

- The SBUHB income allocation based on the Welsh Health Circular 2018 050 - 2019-20 Health Board and Public Health Wales NHS Trust Allocations; and
- the £10m additional WG non-recurrent funding support which our annual plan written feedback (January 2019) indicated was a reasonable assumption to make, if we deliver a balanced plan.

### **3.1.3 Pay**

Pay budgets are reporting a small underspend after nine months. However this is a significant movement from the £9.7m pay underspend reported in 2018/19. The movement of almost £10m can be attributed to three main issues :

- £5m diseconomies of scale following Bridgend Boundary Change;
- £2.3m admin and clerical as a result of vacancies, rather than actual costs being released to support the Bridgend boundary change, which has effectively increased the Health Board underlying deficit by eroding underspends; and
- £2m nursing in excess of Nurse Staffing Act and surge capacity funding. This is being driven by service demand and patient acuity.

The significant underspend in 2018/19 should be considered in the context of savings not being delivered, given that pay is 70% of Health Board expenditure a significant element of the savings requirement should have been met through pay budgets. Budgets are being reviewed for 2020/21 to ensure they better reflect workforce requirements and affordability.

### **3.1.4 Non Pay**

Non-pay budgets have reported an overspend of £11.5m in the first nine months of the financial year. The key non-pay overspends are ChC costs associated with the increasing patient numbers; clinical consumables including blood products; and savings non-identification and delivery.

### **3.1.5 Savings and Recovery Challenge**

The Health Board financial plan identified a £22m savings requirement for 2019/20 to support the delivery of a balanced financial plan. This savings requirement does not include actions required to mitigate and manage the clinical and corporate management diseconomies of scale resulting from the Bridgend Boundary Change.

The Health Board savings plan comprised three elements: local savings, cost containment and management, and High Value Opportunities.

At the start of the financial year, the Health Board had identified £18.2m of savings and by the end of Quarter 1, this had increased to £21.4m. However, £4.6m slippage was identified against these identified schemes, resulting in a forecast delivery of £16.8m.

In light of the savings shortfall and the operational financial pressures all Service Delivery Units and Directorates were asked to develop Recovery Plans to support an improvement in financial performance. The Health Board also established a Delivery Support Team, which is a multi-disciplinary team focussing on :

- Accelerating the delivery of current plans with immediate focus on USC plans and High Value Opportunities;
- Accelerating the development of pipeline plans and opportunities;
- Developing a battle rhythm from monthly progress to daily and weekly focus, unblocking issues, problem solving and supporting system wide working; and
- Ensuring robust “grip and control” in place throughout the Health Board.

One of the early priorities of the Delivery Support Team was to review the financial Recovery Plans. The submitted plans were assessed as those suitable for immediate implementation, those considered reasonable but requiring Quality Impact Assessment

and those that would require further work to fully assess cross system impacts.

The current Health Board forecast is savings delivery is £19.8m. This level of delivery is an improvement on previous years, however the anticipated delivery has not changed for a number of months, which indicates no further opportunities are being identified and implemented.

It should be noted that whilst the shortfall against the initial savings requirement has reduced to £2.2m, this does not meet the requirements of the Bridgend diseconomies and the in-year operational pressures and risks.

The Health Board have been supported by KPMG who were commissioned by WG to enhance in-year financial delivery and develop a pipeline of opportunities for financial sustainability.

### **3.1.6 Year-End Forecast**

The year-end forecast was revised from breakeven to a forecast overspend of £12.3m at the Health Board meeting on 28 November. Welsh Government has been advised of this forecast in an accountability letter sent to Andrew Goodall on 19 December 2019.

The Period 9 reported position was £0.6m above the forecast overspend, the key reasons for this were:

- Impact of further operational demand pressures on activity related income and clinical consumables, particularly drugs;
- Actions agreed at Health Board meeting on 28 November not being fully delivered in December. The actions forecast a £400k reduction in expenditure in December however only £200k was delivered. There were a number of positive areas of delivery, reduced use of agency and overtime; and for those areas not fully delivered further work and support is in place to improve performance in future months.

### **3.1.7 Revenue Risks and Opportunities**

A number of financial risks and opportunities have been identified and are being monitored. The key risks and opportunities are shown in **Slide 7**. These risks are updated each month and are reported to Welsh Government and reviewed by the Performance and Finance Committee.

## 3.2 Capital

The approved CRL value at Month 9 is £29.685m. This includes Discretionary Capital and the schemes under the All Wales Capital Programme.

### 3.2.1 Performance to Date

The reported financial performance at Month 9 is a £1.449m under spend to plan. The key reasons for the under spend are:

- **Ward 11 & 12 Singleton Essential Capital Works.** Essential capital works completed in ward 12 which was handed over on time at the end of December. Some potential savings on this element of the contract are being reviewed and will be discussed with WG at the monthly capital meeting on 28 January.
- **National Digital Fund.** Issues with procurement have been resolved and are not expected to impact on the outturn position.
- **Discretionary IT.** Delays with Health Records Radio Frequency Identification (RFID) rollout and Welsh Emergency Department Clinical Information System (WEDCIMS) but not anticipated to impact the forecast outturn.
- **Discretionary Estates – Morryston Access Road.** Delays with appointment of design team, but appointment now made and not anticipated to impact on the forecast outturn.

### 3.2.2 Risk Assessment

The risk assessments on schemes which are not considered to be low risk are:

Scheme	Risk Profile	Risk Value £'000	Comments
Cladding Removal Works Singleton Hospital	High	201	Scheme is forecasting an overspend of £23k against the original allocation plus additional design fees for phase 2 which Welsh Government have agreed to fund within the phase 2 allocation.
Ward 11 and 12 Singleton Essential Capital Works	Medium	300	Excellent progress on the work completed in ward 12, which was handed over on time on in December. Some potential savings on this element of the contract are

			being reviewed and will be discussed with WG at the next capital meeting on 28 January.
NPT MRI	High	1,164	Scheme has been delayed due to issues with the provision of the faraday cage. Issue now resolved but will impact on programme and WG have agreed to transfer £800k of this underspend for re-provision next year.
Re:Fit	Medium	480	Working through options to manage within the scheme.
Gamma Cameras	High	128	Design work requirements reduced this year, as awaiting service decision on control room location.
Discretionary	High	553	Awaiting business Case fees and Welsh Risk Pool claim for Ward 12 fire

### 3.3.3 Forecast Outturn

A forecast break-even outturn position depends on the receipt of additional funding of £0.754m from Welsh Government linked to the risk assessment above. This risk assessment has seen a substantial improvement from the £5.091m reported in month 7, following the receipt of WG funding for the reinstatement of Ward 11 and 12 and national digital schemes.

### 3.3 Balance Sheet

The S1 and S2 transfer documents detailing the balances to transfer to Cwm Taf Morgannwg Health Board as a result of the Bridgend boundary change have been signed off by Swansea Bay Health Board and forwarded to Cwm Taf Morgannwg Health Board for sign off. The health board is awaiting agreement from Cwm Taf Finance colleagues to start the process of transacting the balances through the health board's financial ledgers.

As a result, the balances included in the balance sheet at 1 April 2019 and 31 December 2019 are the balances prior to disaggregation, less those balances cleared during the period, representing the actual ledger figures at these dates.

During the first 7 months of the financial year, there was an increase of £12.189m in net assets employed (2.65%). Total assets reduced by £5.110m with total liabilities reducing by £17.299m.

The main reduction in assets was in respect of trade and other receivables (£1.732m) and tangible and intangible assets (£3.632m) offset by a small increase in stocks (£0.446m). The reduction in receivables was due to a reduction in NHS debtors with a large number of invoices being cleared to assist in the month 8 agreement of balances process, with the fixed asset reduction being due to depreciation on the asset base.

The reduction in liabilities is due to a reduction in payables (£16.345m) linked to a reduction in the tax, national insurance and superannuation creditors following the transfer of staff to Cwm Taf Health Board and the clearance of other creditor balances as at 31 March in respect of services which have transferred to Cwm Taf Health Board. There has also been a reduction in provisions of £0.954m, following payments of the GP Out of Hours settlement to HMRC and in respect of clinical negligence and personal injury claims, although the clinical negligence provision increased in December due to one large claim moving from possible to probable settlement status.

### **3.4 Cash**

The closing December cash balance of £0.699m was below the month end cash target set by the health board of between £1m and £2m. This cash balance was only achieved through holding back some cash payments to suppliers on 23 and 24 December due to the supplier payment runs for those days being higher than the amount of cash available. This subsequently resulted in the PSPP target for December not being achieved.

Over the period April to December, the payables working capital balances have reduced by £16.346m largely as a result of the Bridgend boundary change, as Swansea Bay Health Board has continued to pay invoices relating to the period prior to 31 March 2019 for those services that have transferred so as to minimise disruption to suppliers and the transferring services. This deterioration in working capital balances is a key factor in the forecast cash deficit and has resulted in the health board having drawn down 80.72% of its cash allocation to the end of December, compared to the anticipated draw down profile of 75% (9/12) of its allocation.

The full cash impact of transferring the net liabilities as identified for transfer in the balance sheet disaggregation exercise amounts to £19.657m. The health board has looked at options to mitigate the full impact of this cash transfer by increasing creditor balances for the services that it retains, but in order to continue to achieve PSPP in 2019/20 it is forecast that there will need to be a further reduction of £3.003m in trade and other payables, resulting in a total impact on cash of £22.660m for movement in revenue working capital balances.

The cash deficit is further exacerbated by a forecast reduction of £10.107m in capital creditors for which working capital cash is also required, together with a forecast cash impact of £1.027m from a forecast reduction in provisions, due to the high level of provisions being utilised, particularly for retrospective CHC provisions which have seen significant cash payments in year together with the settlement of the HMRC GP Out of Hours assessment.

The deterioration in working capital balances, together with the health board's updated financial forecast of a £12.3m deficit for which strategic cash support will be required, means that the health board is forecasting a cash deficit of £45.264m as summarised in the table below

<b>Analysis of Cash Position</b>	<b>£000</b>
<b>Capital Cash Shortfall</b>	
Cash required for working balances movements – Capital	10,107
Capital Cash Required to Reimburse Revenue Cash for 2018/19 year end payments	3,593
<b>Capital Cash Shortfall</b>	<b>13,700</b>
<b>Revenue Cash Shortfall</b>	
Strategic cash support required for the forecast I&E deficit	12,300
Cash required for movement in revenue working balances – creditors due to Bridgend boundary change	19,657
Cash required for movement in revenue working balances – creditors remaining within Swansea Bay	3,003
Cash required for movement in revenue working balances – debtors, prepayments and provisions	1,027
Cash due from capital for reimbursement of 2018/19 year end payments	(3,593)
<b>Revenue Cash Shortfall</b>	<b>32,394</b>
<b>Total Cash Shortfall</b>	<b>46,094</b>
<b>Less Opening Cash Balance</b>	<b>830</b>
<b>Forecast Cash Deficit</b>	<b>45,264</b>

A formal request for working capital cash support and strategic cash support totalling £43.371m (based on the estimated cash deficit identified at the end of November) was sent by the Chief Executive to Andrew Goodall on 12 December 2019. To date no formal response has been received to this request for cash support.

In addition to the current forecast cash shortfall of £45.264m, the health board is anticipating but is not yet able to draw down a further £20.037m

in anticipated allocations, which includes the £10m financial support received in 2018/19 and made recurring in the recent allocation letter.

When the cash drawn down for January 2020 and the forecast cash required for February 2020 is taken into account, the health board will have fully drawn down its currently allocated cash drawing limit by the end of February. This means that unless the cash support requested and the anticipated allocations are made available for draw down on 1 March, the health board will have no cash available to draw down from Welsh Government.

### 3.5 Public Sector Payment Policy (PSPP)

The health board has achieved a cumulative PSPP compliance of 94.3% to the end of December, which is below the target of 95%. The failure to achieve the target is largely due to the PSPP performance for December which was 87.02% and which has reduced the cumulative figure below 95%. The low compliance figure in December was due to the availability of cash with the supplier payment runs on 23 and 24 December having to be reduced in value due to there being insufficient cash available to pay the full value requested by NWSSP Accounts Payable. This resulted in 2,103 invoices that were due for payment on these dates not being paid until 31 December, thereby missing the 30 day payment target.

Given the current forecast cash deficit, the large value of anticipated allocations which cannot as yet be drawn down and the as yet unapproved request for cash support from Welsh Government, it is probable that further cash restrictions on the amount of cash available for supplier payment runs will need to be put in place for the remainder of the financial year and so it is unlikely that the 95% target will be achieved.

The percentage of NHS invoices paid within 30 days amounted to 86% for the first 9 months of the financial year. Whilst this represents an improvement against the 84% compliance achieved during the 2018/19 financial year, this performance will also be affected in the remaining quarter of the financial year by the availability of cash.

## 4. RECOMMENDATION

Members are asked to:

- **CONSIDER** and comment upon the Board's Period 9 financial performance, in particular:
  - vi. the revenue outturn position; cumulative overspend of £11.101m, the revenue outturn forecast and the revenue risk profile;
  - vii. the capital forecast position;

- viii. balance sheet movements;
  - ix. cash position; and
  - x. performance against the Public Sector Payment Policy compliance.
- **NOTE** the Health Board year-end breakeven forecast and the risks associated with the delivery.

<b>Governance and Assurance</b>		
<b>Link to Enabling Objectives</b> <i>(please choose)</i>	<b>Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities</b>	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	<b>Deliver better care through excellent health and care services achieving the outcomes that matter most to people</b>	
	Best Value Outcomes and High Quality Care	<input type="checkbox"/>
	Partnerships for Care	<input type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
<b>Health and Care Standards</b>		
<i>(please choose)</i>	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input type="checkbox"/>
<b>Quality, Safety and Patient Experience</b>		
Financial Governance supports quality, safety and patient experience.		
<b>Financial Implications</b>		
The Board is reporting a balanced end year financial outturn.		
<b>Legal Implications (including equality and diversity assessment)</b>		
No implications for the Board to be aware of.		
<b>Staffing Implications</b>		
No implications for the Board to be aware of.		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
No implications for the Board to be aware of.		
<b>Report History</b>	Board receives an update on the financial position at every meeting	
<b>Appendices</b>	Appendix 1 – Appendix 2 –	



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# SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT – FINANCE ANNEXES

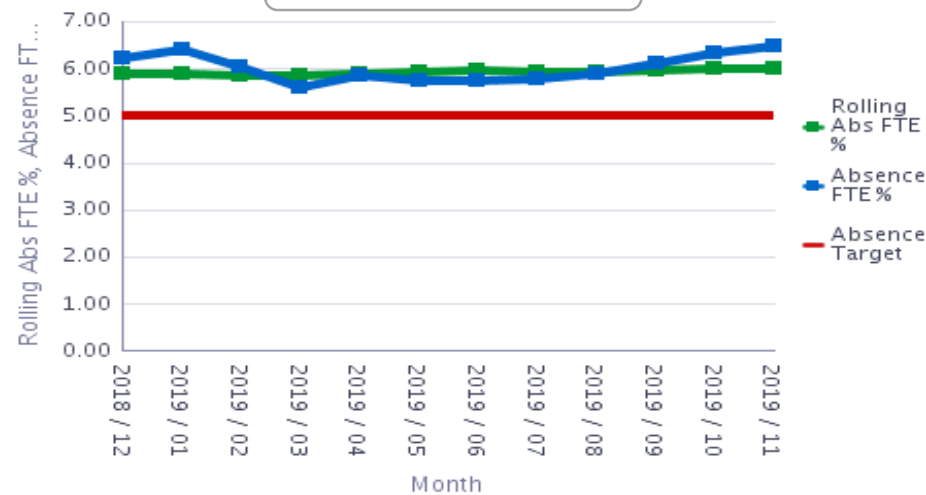
Management Accounts  
Period 09 Data (December 2019)

Lynne Hamilton

## Summary (Nov'19 Data)

	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Rolling 12 Mths
<b>Cost Absence £000</b>	2,575	2,615	2,217	2,198	3,193	2,112	2,107	2,108	2,382	2,359	28,397
<b>% Absence</b>	6.09%	5.80%	6.01%	5.78%	5.83%	5.85%	5.94%	6.15%	6.33%	6.47%	6.01%
<b>Average No. Staff Absent Per Day</b>	1,001	928	763	754	757	765	787	817	845	874	865

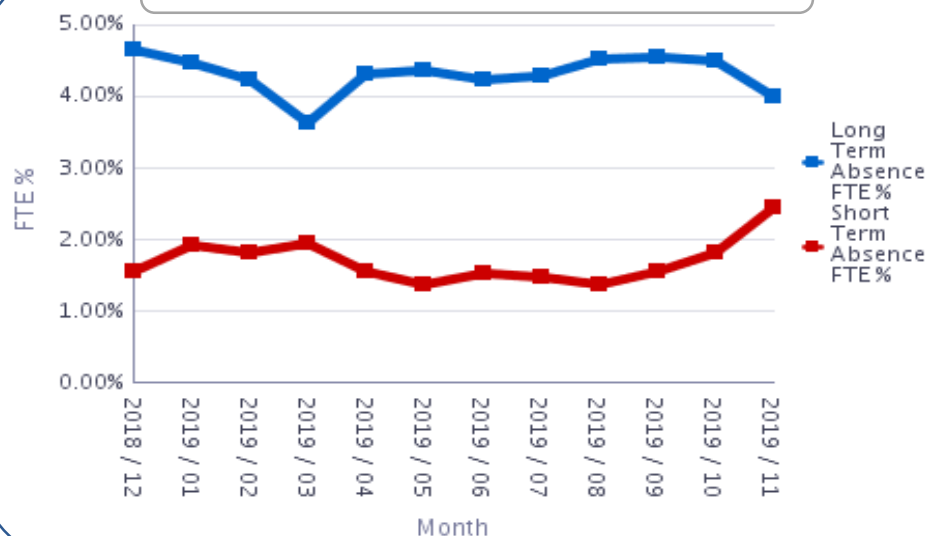
## Rolling Absence



## Cumulative % & £ Per Staff Group

Staff Group	Absence % (FTE)	Absence Estimated Cost (£)
Add Prof Scientific and Technic	4.42%	778,712
Additional Clinical Services	8.17%	5,437,429
Administrative and Clerical	5.59%	4,136,367
Allied Health Professionals	3.30%	1,481,961
Estates and Ancillary	8.45%	2,529,047
Healthcare Scientists	3.14%	571,809
Medical and Dental	2.00%	2,224,634
Nursing and Midwifery Registered	6.29%	11,236,697
Students	0.44%	653
<b>Grand Total</b>	<b>6.02%</b>	<b>28,397,310</b>

## Long Term and Short Term Trends



Category	Balance at 31 <sup>st</sup> December 2019 (£000)	Balance at 31st March 2019 (£000)	Movement (£000)	Analysis
Tangible & Intangible Assets	611,256	614,888	(3,632)	Movement due to asset additions less depreciation.
Trade & Other Receivables	173,418	175,211	(1,793)	Main movements are a reduction in NHS Debtors of £5.573m with large numbers of invoices cleared prior to the month 8 agreement of balances exercise. This is largely offset by an increase of £3.526m in prepayments.
Inventories	10,680	10,234	446	The main increases are in drugs stocks (£195k), blood products (£76k), theatre stock at Morriston (£122k) and Cardiac stocks (£52k).
Cash	699	830	(131)	Cash balance is in line with the local target of holding between £1m and £2m in cash at month end.
<b>Total Assets</b>	<b>796,053</b>	<b>801,163</b>	<b>(5,110)</b>	
Trade & Other Payables	175,004	191,349	(16,345)	Reduction in tax, NI and pension creditor as a result of staff transfers arising from the boundary change. Reduction in trade creditors and goods received not invoiced, offset by an increase in payments on account as cash in excess of 9/12 of the cash allocation has been drawn down to pay creditors relating to pre 1st April 2019 for services that have transferred.
Provisions	149,552	150,506	(954)	Reduction due to payments against existing provisions, mainly in respect of settlement of clinical negligence cases, retrospective CHC cases and the GP OOH settlement with HMRC.
<b>Total Liabilities</b>	<b>324,556</b>	<b>341,855</b>	<b>(17,299)</b>	
<b>Total Assets Employed</b>	<b>471,497</b>	<b>459,308</b>	<b>12,189</b>	
Financed By				
General Fund	420,606	408,417	12,189	Movement is capital cash drawn down offset by I&E overspend.
Revaluation Reserve	50,891	50,891	0	
<b>Total Taxpayers Equity</b>	<b>471,497</b>	<b>459,308</b>	<b>12,189</b>	

**Month 9 Position**

The approved CRL value is £29.685m which includes Discretionary Capital and the schemes under the All Wales Capital Programme. Further details on the planned spend can be seen in **Annex 2**. A number of schemes are showing a variance compared to the allocation, unless identified in the below risk assessment this is a planned variance to reflect the recovery of fees spent in prior years. In the case of National Clinical Systems and the Air Handling Unit for Obstetrics Theatre the Health Board are making an agreed contribution to the scheme from discretionary capital.

The reported financial performance at Month 9 is a £1.449m under spend to plan. The schemes with the largest underspend to plan are detailed below.

Scheme	Underspend to M9 £000	Comments
Ward 11 & 12 Asbestos, Singleton	214	Asbestos strip completed in ward 12 which was handed over on time on in December. Some potential savings on this element of the contract are being reviewed and will be discussed with WG at the CRM on 28 <sup>th</sup> January.
National Digital Fund	469	Issues with procurement, which have been resolved and are not expected to impact on the outturn position.
Discretionary IT	66	Delays with RFID rollout and EDCIMS but not anticipated to impact the forecast outturn.
Discretionary Estates - Morrison Access Road	294	Delays with appointment of design team.

**Forecast Outturn**

The forecast outturn against the current CRL shows a breakeven position. This position assumes additional funding of £0.754m is received from WG whilst returning £0.800m to WG, as agreed, for re-provision next year as detailed below.

The risk assessments on schemes which are not considered to be low risk for Welsh Government reporting are:

Scheme	Risk Profile	Risk Value £'000	Comments
Cladding Removal Works Singleton Hospital	High	201	Scheme is forecasting an overspend of £23k against the original allocation plus additional fees for phase 2 which have been agreed by Welsh Government and will be funded within the phase 2 allocation.
Ward 11 and 12 Asbestos Removal, Singleton	Medium	300	Asbestos strip completed in ward 12 which was handed over on time on in December. Some potential savings on this element of the contract are being reviewed and will be discussed with WG at the CRM on 28 <sup>th</sup> January.
NPT MRI	High	1,164	Scheme is delayed due to issues with the PFI contractor and their contractor. Issues now resolved but delays to deliver of the faraday cage will impact of programme. Agreement with WG to return £800k for re-provision next year.
Re:Fit	Medium	480	Working through options to manage within the scheme.
Gamma Cameras	High	128	Design work requirements reduced this year awaiting service decision on control room location.
Discretionary	High	553	Business Case fees and WRP claim for Ward 12 fire.

Assumed Income from WG to get to forecast breakeven position:

Scheme	Anticipated Allocation £000	Risk of Non-Receipt of Income	Comments
NPT MRI	(800)	Low	Scheme is delayed due to issues with the PFI contractor and their contractor. Issues now resolved but delays to deliver of the faraday cage will impact of programme. Agreement with WG to return £800k for re-provision next year.
Ward 12 Fire, Singleton	385	Low	Initial claim approved by Welsh Risk Pool on 11/9/19. Final claim submitted to WRP in November and is due to be considered by the WRP Committee on 22 <sup>nd</sup> January.
Business Case Fees	369	Low	Business case fees across a number of schemes, including Cladding and Cancer Centre.

	Year To Date			Forecast		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	F'cast £'000	Variance £'000
<b>All Wales Capital Programme:</b>						
Neonatal and Post-Natal Capacity at Singleton Hospital	3,206	3,467	261	3,809	3,809	(0)
National Clinical Systems	158	147	(11)	68	239	171
Penclawdd - Primary Care Pipeline	991	802	(189)	1,009	991	(18)
Murton - Primary Care Pipeline	578	524	(54)	593	578	(15)
Linac B	890	885	(5)	890	890	0
Environmental Modernisation Phase 2 Morriston	2,786	2,889	103	3,068	3,070	2
ICF - Refurb for IAS MAPSS ND & CAMHS	190	179	(11)	214	193	(21)
Cladding Removal Works @ Singleton Hospital	315	331	16	315	338	23
MRI Scanner @ Singleton	222	221	(1)	318	228	(90)
ICF - Tonna Hospital	91	89	(2)	121	91	(30)
MRI Scanner @ Neath	130	62	(68)	3,113	1,947	(1,166)
Air Handling unit for Obstetric Theatre	0	0	0	225	360	135
Pharmacy Equipment	32	0	(32)	80	80	0
Replacement Gamma Cameras	0	0	0	200	72	(128)
Additional works linked to Neonatal Development in Singleton Hospital	1,403	1,190	(214)	2,658	2,658	0
Digital Funding	610	142	(469)	1,390	1,390	0
RE-FIT Carbon Reduction Project	71	115	44	2,001	2,001	0
Swansea Wellness Centre OBC Fees	22	31	9	79	79	0
<b>Sub Total</b>	<b>11,696</b>	<b>11,074</b>	<b>(622)</b>	<b>20,151</b>	<b>19,015</b>	<b>(1,136)</b>
<b>Discretionary:</b>						
I.T.	1,254	1,188	(66)	2,056	2,092	35
Equipment	1,287	1,226	(61)	2,818	2,757	(61)
Statutory Compliance	0	0	0	0	0	0
Estates	4,035	3,335	(700)	5,627	6,743	1,116
Other			0			0
<b>Sub Total</b>	<b>6,576</b>	<b>5,748</b>	<b>(827)</b>	<b>10,501</b>	<b>11,591</b>	<b>1,090</b>
<b>Total Expenditure</b>	<b>18,271</b>	<b>16,822</b>	<b>(1,449)</b>	<b>30,652</b>	<b>30,606</b>	<b>(46)</b>
<b>Donations:</b>						
Donated Assets	257	257	0	894	894	0
<b>Sub Total</b>	<b>257</b>	<b>257</b>	<b>0</b>	<b>894</b>	<b>894</b>	<b>0</b>
<b>Asset Disposals:</b>						
Glynneath Clinic	0	0	0	73	73	0
<b>Sub Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>73</b>	<b>0</b>
<b>CHARGE AGAINST CRL</b>	<b>18,014</b>	<b>16,565</b>	<b>(1,449)</b>	<b>29,685</b>	<b>29,639</b>	<b>(46)</b>
<b>PERFORMANCE AGAINST CRL (Under)/Over</b>		<b>(1,449)</b>			<b>(46)</b>	
<b>Less Assumed Income</b>	£0.754m assumed income, returning £0.800m to WG,				<b>(46)</b>	
<b>FORECAST OUTTURN</b>	as agreed, for re-provision next year.				<b>(0)</b>	



Bwrdd Iechyd Prifysgol  
Bae Abertawe  
Swansea Bay University  
Health Board

# SWANSEA BAY LHB FINANCE DEPT. HEALTH BOARD REPORT

Period 09 Data (December 2019)

Lynne Hamilton

## In Month

**£ 1,256,046 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%
<b>Total</b>	<b>76,973</b>	<b>78,166</b>	<b>1,192</b>	<b>1.55%</b>

## Cumulative

**£ 11,101,037 overspent**

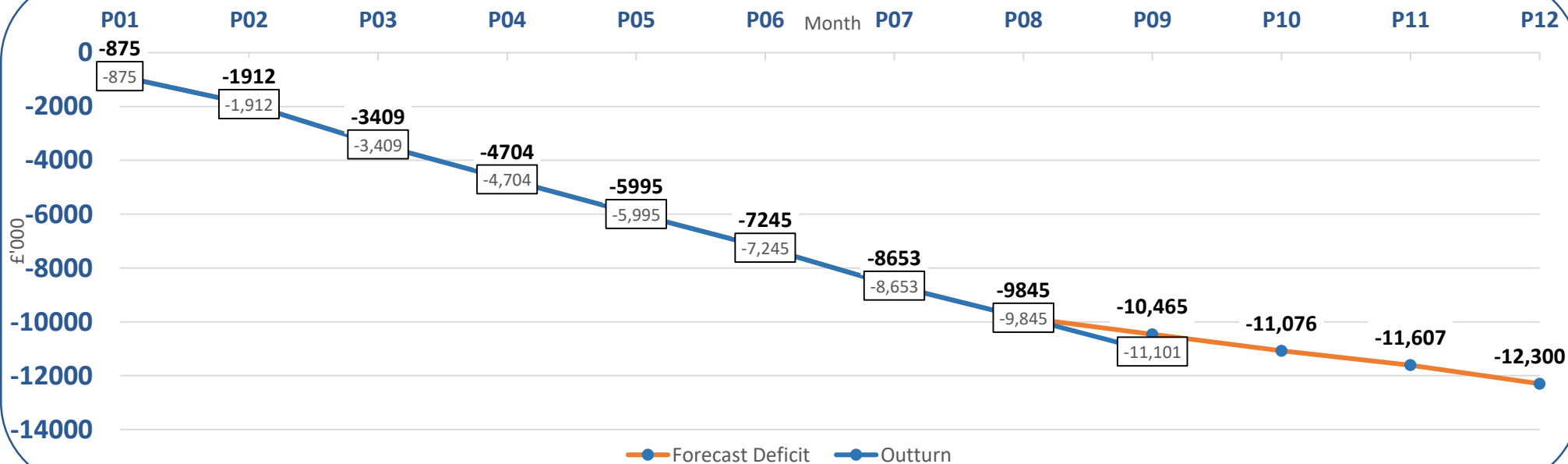
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	-174,171	-175,357	-1,186	-0.68%
Pay	367,586	367,131	-455	-0.12%
Non Pay	389,183	400,668	11,486	2.95%
<b>Total</b>	<b>582,598</b>	<b>592,443</b>	<b>9,845</b>	<b>1.69%</b>

## 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%
<b>Total</b>	<b>849,768</b>	<b>862,068</b>	<b>12,300</b>	<b>1.45%</b>

## 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)	1,256	↑
Reported year to date financial position – deficit/(surplus)	11,101	↑
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	(1,449)	↑

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	94.3	↓

## Revenue Narrative

The Health Board committed to achieving financial balance in 2019/20. and 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.

- Throughout the financial year, the Health Board has been reporting an overspend and as the year progressed the ability to recover this overspend and deliver financial balance became more challenging. In Month 8 the Health Board revised its year-end forecast outturn from financial balance to a deficit of £12.3m. This position is supported by the KPMG review, which assessed the year-end forecast to be between £12m-£14m. The £12.3m forecast deficit included the delivery of the series of actions agreed by the Health Board in November.
- The Month 9 reported position is an overspend of £1.256m, which whilst broadly in line with recent performance is significantly above the £0.62m forecast trajectory. This will seriously challenge the delivery of the £12.3m year-end forecast if not recovered quickly.
- The key movements from forecast profile are :
  - Activity related income loss due to operational pressures, particularly Cardiology and Thoracics;
  - Secondary care drugs costs; increased ophthalmology activity and operational pressures;
  - GPOOH additional hours related to an employment issue;
  - Variable pay improvements not as significant as planned

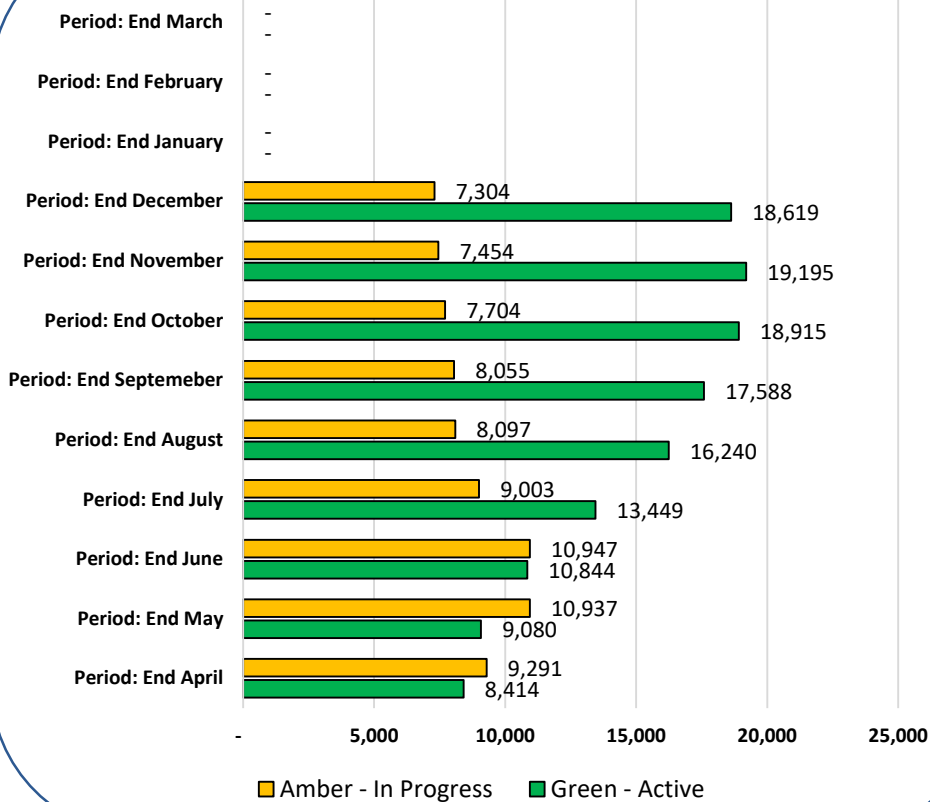
## Capital Narrative

- Approved CRL value for 19/20 issued on 13/01/20 is £29.685m 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 3 All Wales Capital schemes reported to Welsh Government as high risk. There are 2 schemes 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 £0.754m being received from WG whilst returning £0.800m to WG, as agreed, for re-provision next year.

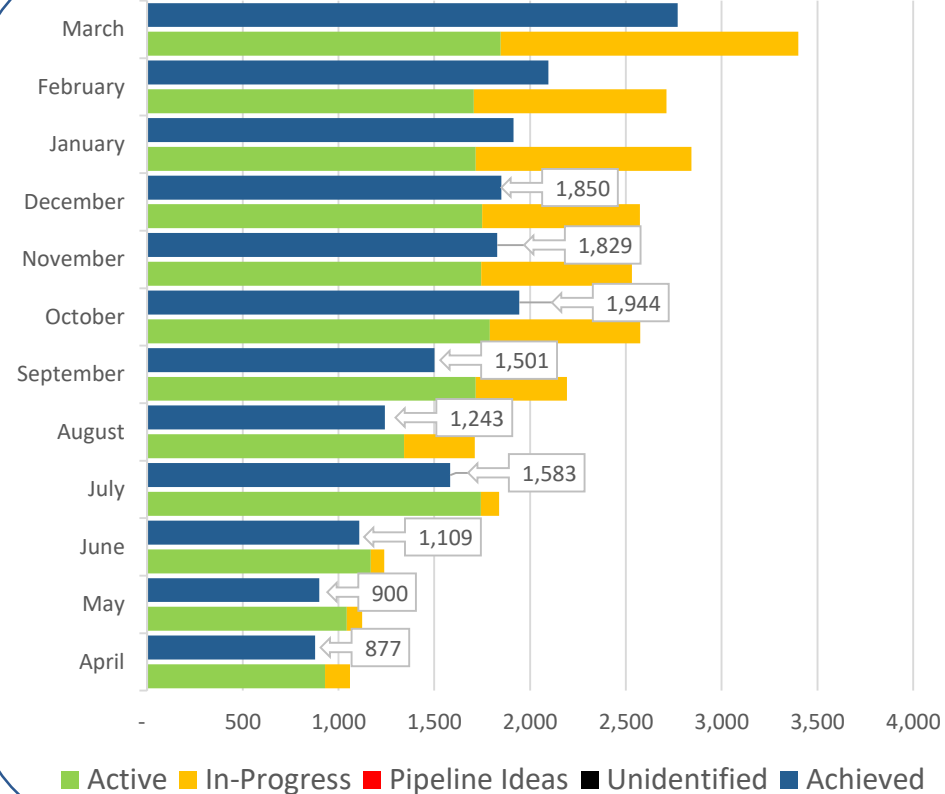
## PSPP Narrative

- The number of invoices paid within 30 days in December was significantly below the 95% target, with in month performance being 87.02% The non compliance in December was due to the availability of cash with the supplier payment runs on 23<sup>rd</sup> and 24<sup>th</sup> having to be reduced in value due to a shortage of cash. This resulted in 2,103 invoices which were due for payment on these dates not being paid until 31<sup>st</sup> December, thereby missing the 30 day target for payment.
- The poor performance in December resulted in the cumulative compliance for the year reducing from 95.2% to 94.3% meaning that cumulative compliance is now below the target. Given the current forecast cash deficit and the as yet unapproved request for cash support from Welsh Government, it is probable that in January further restrictions on the amount of cash available for supplier payment runs will need to be put in place and it is therefore unlikely that the 95% target will be achieved for the remainder of the financial year.
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## Trend over time



## Current Profile of Savings



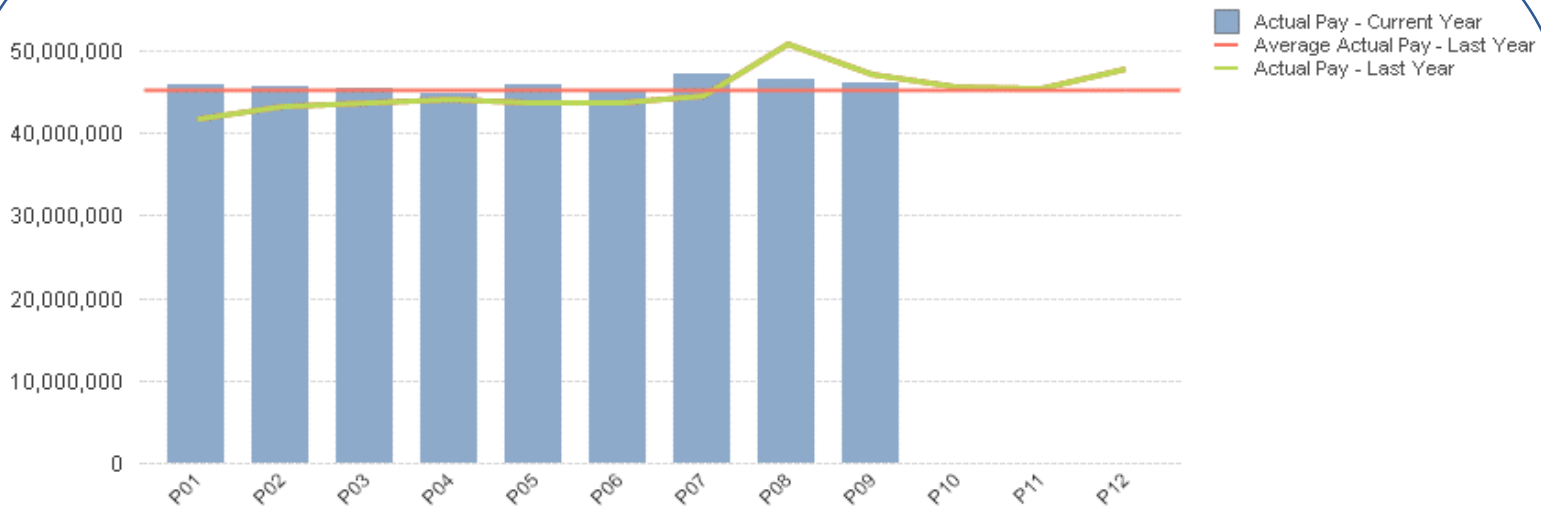
## Narrative

- 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 £20m, 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.

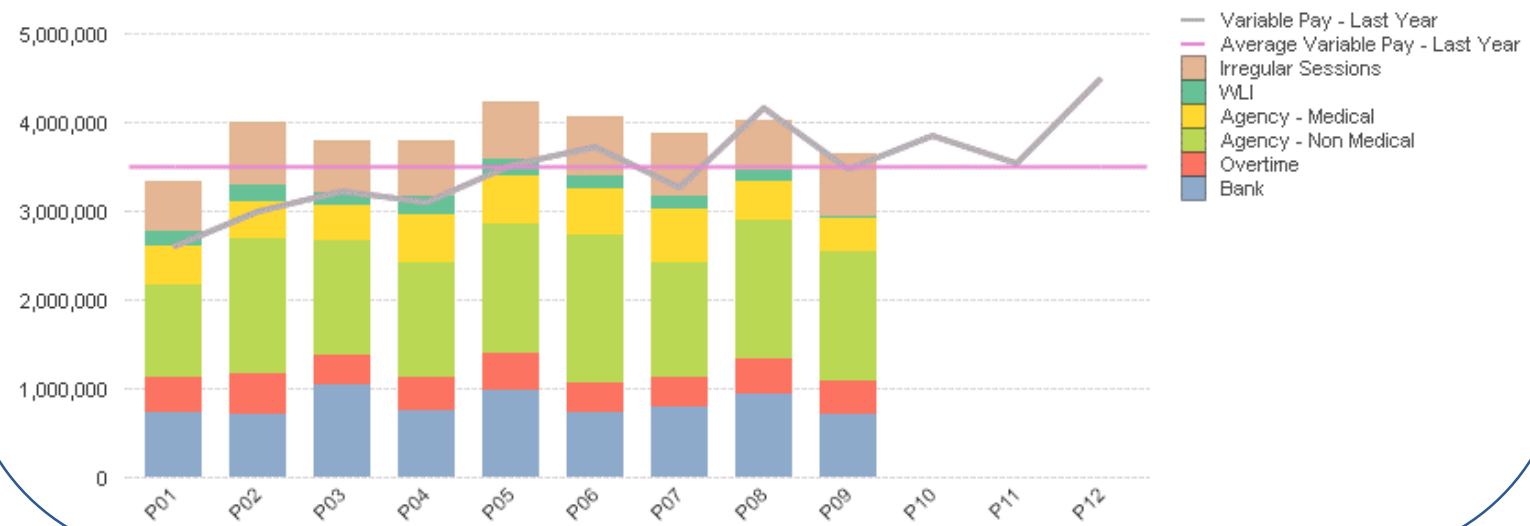
## Narrative

- The actual savings delivery for the first nine months of the years is £12.8m, with £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 which need to be closely managed.
- 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.

### Actual Pay Expenditure This Year and Last Year



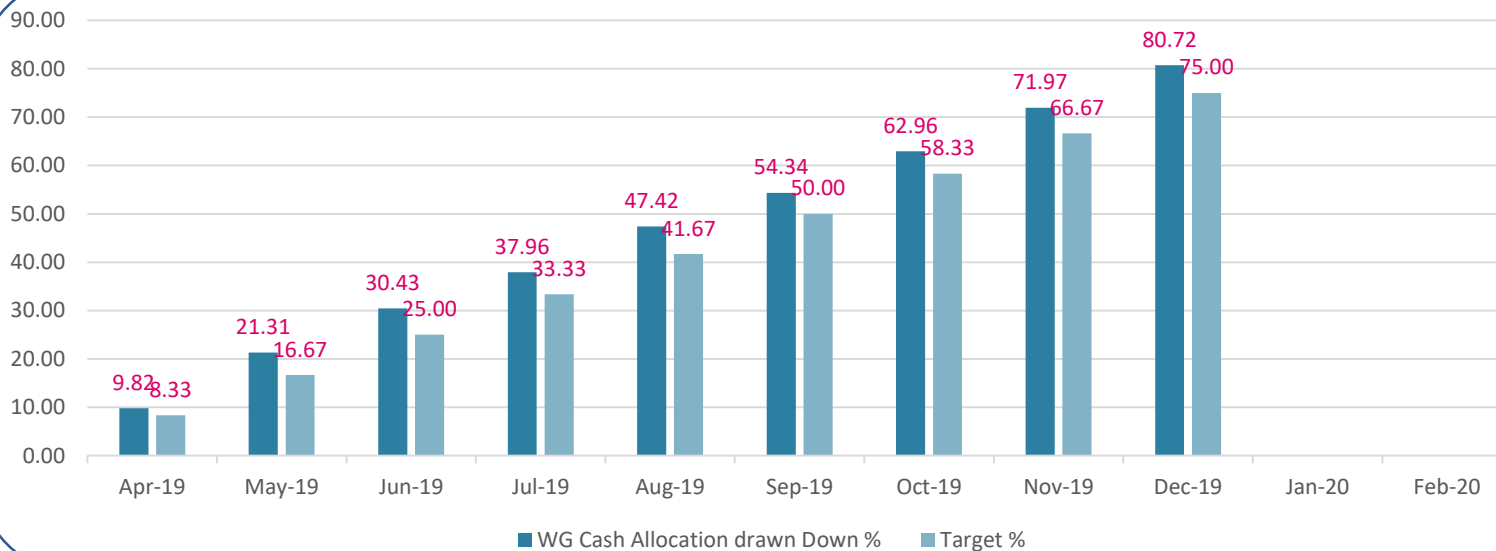
### Variable Pay Expenditure This Year and Last Year



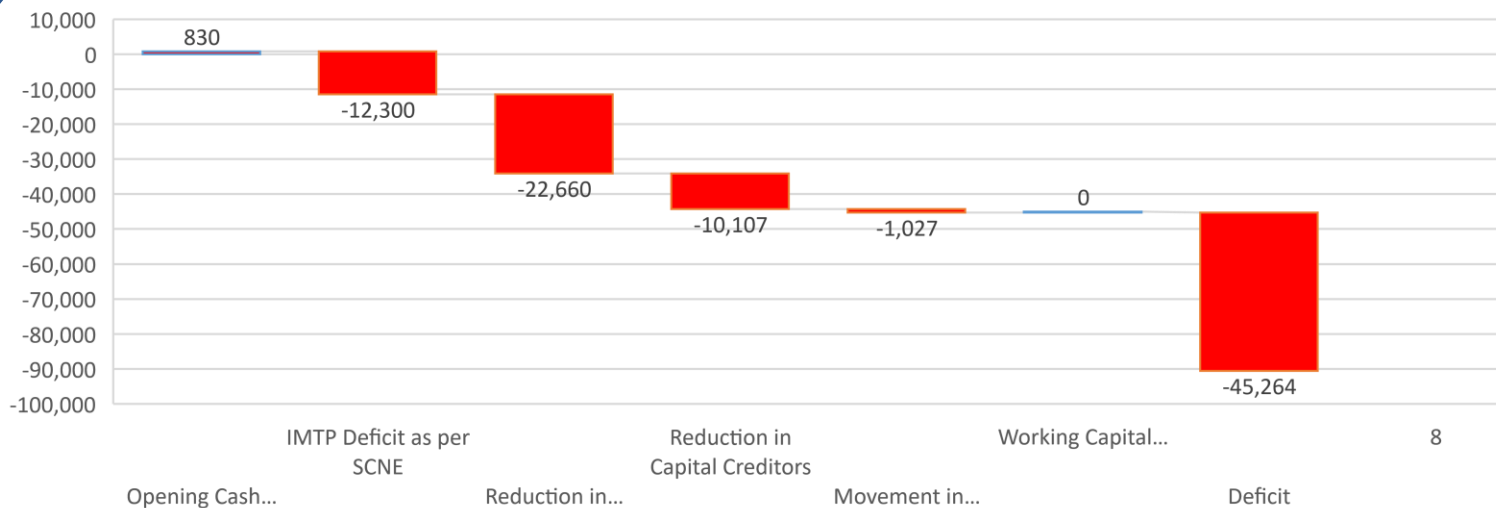
- The overall pay spend in P9 is broadly static from the previous month.
- Generally spend is above that of the average for the previous year.

- Variable Pay spend has reduced in-month
- Medical Variable Pay (excluding WLI) has remained broadly static.
- Non-medical Variable Pay has reduced, however the reduction is less than forecast.

### Welsh Government Draw Down



### Analysis of Forecast Cash Position



1. The health board had a cash balance at the end of December of £0.699m which was below the local target of holding between £1m and £2m in cash at month end.
2. As a result of the current I&E deficit and the fact that the health board has continued to pay invoices for goods and services received before 31<sup>st</sup> March 2019 relating to services that have transferred to Cwm Taf, the amount of cash drawn down to the end of December amounts to 80.72% of the allocation, significantly ahead of profile which will result in working capital cash being required from Welsh Government.
3. In light of this and the estimated £12.3m I&E deficit, the Chief Executive formally requested £43.371m of cash support from Welsh Government on 12<sup>th</sup> December 2019. No response has yet been received to this letter.
4. The biggest factor in this cash shortfall, is the deterioration in revenue working capital balances linked to the Bridgend boundary change, with the requirement to transfer cash of £19.657m to Cwm Taf Morgannwg Health Board to provide the cash to clear the net opening liabilities associated with the transfer. This is further exacerbated by a forecast reduction in capital creditors of £10.107m
5. The cash deficit assumes receipt of £20.037m of anticipated allocations which as yet cannot be drawn down in cash from Welsh Government. In the event that these anticipated allocations and the requested cash support are unable to be drawn down then based on the actual cash drawn down for January and the forecast cash requirement for February, the health board will have drawn down its full approved cash allocation by the end of February.

#	Issue	Description	Opportunity (Best Case) £000	Risks (Worse Case) £000	Most Likely £000	Risk Rating	Key Decision Point and Summary Mitigation	Risk Owner Name
<b>Annual Plan Deficit</b>			<b>-12300</b>	<b>-12300</b>	<b>-12300</b>			
1	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
2	Performance Sustainability	Health Board Plan provided funding to support RTT performance. Further funding was provided by WG to support performance improvement.	0	-6500	0	Medium	RTT performance is currently off the improvement trajectory and recovery plans whilst improving will not deliver the planned RTT position by the end of the financial year. As a result, there is the potential for WG to claw back the funding it has provided. WG colleagues are reviewing the trajectories.	Chris White, Chief Operating Officer
3	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.	1000	-2000	0	Medium	The current forecast assumes £2m of transitional funding for Bridgend Boundary Change Diseconomies of Scale. Whilst the value of this has not been confirmed, the letter from Andrew Goodall on 13th August confirmed some transitional support.	Hannah Evans, Director of Transformation
4	Local Authority Issues	Issues outstanding with the Local Authority	2000	-1500	-1000	High	The latest negotiation point would result in at best no financial impact either positive or negative. However there is a likelihood that further pressure will result in a substantial negative financial impact	Sian Harrop Griffiths, Director of Strategy
5	Recovery Actions and Opportunities	Recovery Actions may not be delivered in full and/or some further efficiency opportunities delivered	1200	-3000	-2000	High	KPMG review of 2019/20 financial delivery risk assessed the recovery actions being implemented by the Health Board by £3m. They also assessed potential further efficiency opportunities, however due to operational pressures these are likely to be difficult to unlock in the very short term.	Lynne Hamilton, Director of Finance

- 8,100 - 35,300 - 15,300

## December & January

- Review impact of the Health Board actions and identify areas of further work.
- Units to identify further opportunities to meet control totals. These will be tested and supported through the Financial Recovery Meetings.
- Identify further opportunities both recurrent and non-recurrent to support delivery of £12.3m forecast deficit.

## Continued Scrutiny

- **Monthly** Financial Management Group meeting chaired by the CEO to review Health Board financial performance, risks and opportunities and ensure actions to manage the financial position are in place.
- **Monthly** Performance, Quality and Finance Meetings with Delivery Units; monthly review of all corporate directorates
  - **Weekly** escalation where finance and/or performance is off track
  - 'deep dives' into key areas (eg. medical pay bill review, Unit performance or delivery issues)
  - Individual support to Finance Business Partners by Assistant Directors to help provide 'critical challenge' into delivery units
  - CEO led escalation as required
- **Monthly** Health Care Value & Efficiency Programme Board to ensure efficiency opportunities for long term sustainability are being progressed.
- **Monthly** Investment & Benefits Group:
  - Effective decision making in line with organisational priorities
  - Control of investment/re-investment decisions including capital
  - Benefits tracking (financial & non financial)
- **Monthly** scrutiny by Performance & Finance Committee. Escalation process in place for key risks identified through performance framework:
  - Financial and/or performance at Unit level
  - System wide focus on targeted intervention areas
  - Recovery actions and non delivery of savings programmes