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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



Meeting Date	27th May 2020	Agenda Item	2.1
Report Title	Draft Annual Accounts 2019/20		
Report Author	Andrew Biston, Head of Accounting & Governance		
Report Sponsor	Darren Griffiths, Interim Director of Finance		
Presented by	Darren Griffiths, Interim Director of Finance		
Freedom of Information	Closed		
Purpose of the Report	To provide the Audit Committee with the draft annual accounts for Swansea Bay University Health Board for 2019/20 and to provide an opportunity for the Audit Committee to raise any questions or concerns in relation to the accounts.		
Key Issues	<p>Due to the COVID-19 pandemic, Welsh Government extended the draft accounts submission deadline from 28th April 2020 to 22nd May 2020. The draft annual accounts which are the first set of annual accounts for the Swansea Bay University Health Board following the Bridgend boundary change were submitted to Welsh Government on Thursday 14th May. This was ahead of the revised deadline issued by Welsh Government.</p> <p>As the draft accounts were submitted early, Wales Audit Office were able to commence their audit of the accounts on Monday 18th May. The accounts will be audited remotely using the electronic working paper files saved on the shared folder and through Oracle ledger access which has been provided on an all Wales basis. Wales Audit Office will provide their report on the accounts to the Audit Committee and Board on 25th June 2020.</p> <p>The audited accounts, ratified by the Board will need to be submitted to Welsh Government by midday on Tuesday 30th June 2020.</p>		
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance
		✓	
Recommendations	Members are asked to: Discuss and Note		

	The draft annual accounts for 2019/20 which are currently subject to audit by Wales Audit Office.
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1. INTRODUCTION

- 1.1. As a result of the COVID-19 pandemic, Welsh Government extended the deadline for the submission of the draft annual accounts from 28th April 2020 to 22nd May 2020. The draft annual accounts, which are the first for the Swansea Bay University Health Board were submitted to Welsh Government on 14th May 2020 before the revised deadline issued by Welsh Government. The draft accounts remain subject to audit and may therefore be amended prior to formal approval by the Audit Committee and the Health Board on 25th June 2020.

2. BACKGROUND

- 2.1. The health board has prepared a set of accounts in line with the Welsh Government Manual for Accounts and relevant International Financial Reporting Standards (IFRS).
- 2.2. The audit process is currently being undertaken remotely by Wales Audit Office given the COVID-19 pandemic. Wales Audit Office have been provided with all working papers electronically through a shared folder and Oracle access has been provided on an all Wales basis through NWSSP.
- 2.3. Wales Audit Office aim to issue their draft ISA 260 report on the accounts for discussion with the health board on 18th June 2020 and it is envisaged that this report will be agreed and circulated to Audit Committee and Board members on Friday 19th June 2020 together with the final accounts in readiness for the Audit Committee and board meetings on 25th June 2020. Any changes recommended by Wales Audit Office and accepted by the health board will be included in the final accounts and reported to the 25th June Audit Committee. The Audit Committee will then be asked to approve the accounts at the meeting on 25th June for ratification by the Board at the meeting following the Audit Committee.
- 2.4. In completing the accounts a pragmatic approach was taken on areas requiring estimations and judgements, with these approaches discussed and agreed with Wales Audit Office at both a local and national level and reported to the Audit Committee at its March 2020 meeting.
- 2.5. Unlike in previous years, due to the extension of the deadline for accounts submission and audit, actual values will be available prior to the final accounts submission deadline for primary care costs in February and March. Given changes made in March 2020 to issue 12 week prescriptions to vulnerable individuals as a result of the COVID-19 pandemic, there may be a significant difference between actual prescribing costs and those estimated using the agreed methodologies. In the event of this Welsh Government have advised that funding will be available for any increased costs and that the draft accounts may be amended to reflect actual costs.

3. GOVERNANCE AND RISK ISSUES

- 3.1. The health board is required by Welsh Government to achieve 3 financial targets and comply with the CBI prompt payment guidance for payment of its non NHS invoices. Performance against each of these areas is described below:

Revenue Resource Limit

The health board is required to remain within its revenue resource limit over a 3 year rolling period. For 2019/20 the health board did not remain within this limit, exceeding it by £16.284m. Over the rolling 3 year period from 2017/18 to 2019/20 the health board exceeded its revenue resource limit by £58.580m as detailed on page 27 of the accounts meaning that this target was not achieved.

Capital Resource Limit

Similarly the health board is required to remain within its capital resource limit over a 3 year rolling period. For 2019/20 the health board achieved this target with an under spend of £0.028m. The target was also achieved over the 3 year period from 2017/18 to 2019/20 with a cumulative under spend of £0.110m as detailed on page 27 of the accounts.

Integrated Medium Term Plan

The health board also has a financial duty to have a 3 year approved Integrated Medium Term Plan. The health board has not achieved this financial target for 2019/20.

Public Sector Prompt Payment (PSPP) Target

The health board is expected to comply with the CBI prompt payment guidance of paying 95% of its non NHS creditor invoices within 30 days of receipt of the goods or a valid invoice whichever is the latter. The health board did not achieve this target in 2019/20 with performance being 94.3%, this being due to cash management issues during December 2019 and January 2020 with supplier payment runs being reduced in value whilst awaiting confirmation from Welsh Government that the strategic cash support and working capital cash support requested had been approved. The health board performance with regard to payment of NHS invoices within 30 days remained poor, despite an increase from 84% in 2018/19 to 85.9% in 2019/20. Action will continue to be taken in 2020/21 to further improve this performance.

4. ANALYSIS OF ACCOUNTS

- 4.1. A more detailed analytical review of the accounts will be presented to the Committee at the meeting on 27th May. However, the high level issues to note from the accounts main statements are as follows:

Statement of Comprehensive Net Expenditure (SOCNE) - Page 2

This statement reports the net costs of the health board's operating activities. It must be noted that as the 2019/20 financial year was the first year of the Swansea Bay University Health Board following the Bridgend boundary change, that the 2018/19 values against which the 2019/20 costs are compared will include the services for Bridgend which transferred on 1st April 2019. Audit Committee members are reminded that this transfer resulted in a 28% reduction in the resource allocation for the Swansea Bay University Health Board when compared with the former ABMU Health Board.

Primary care services expenditure totalled £180.932m, a reduction of £64.614m or 26.3% against the previous year. The reductions were in General Medical Services of £22.346m (25.8%), Pharmaceutical Services of £4.834m (23.9%), General Dental Services of £9.279m (25.5%), Prescribed Drugs and Appliances of 25.932m (27.5%), with smaller reductions in Ophthalmic costs of £2.062m (29%) and Other Primary Care Expenditure of £0.201m (21%).

Expenditure on healthcare from other providers totalled £232.061m, a reduction of £18.457m (7.4%) against 2018/19. Expenditure on goods and services from other NHS Wales Health Boards almost doubled from £21.969m to £42.043m, primarily as a result of clinical service level agreements with Cwm Taf Morgannwg Health Board for services transferred as a result of the Bridgend boundary change which are provided back to Swansea Bay Health Board. These service level agreements comprise a significant number of services provided at Neath Port Talbot Hospital.

Other significant movements in expenditure on healthcare from other providers saw reductions of £26.535m (21.5%) in goods and services from WHSSC, £6.475m in continuing healthcare, £4.772m in goods and services from other NHS Trusts, £2.558m in funded nursing care and £1.885m with private providers in respect of outsourcing. These reductions were partly offset by an increase of £4.426m in expenditure with local authorities and a small increase of £0.590m in expenditure with voluntary organisations.

Expenditure on hospital and community services reduced by £113.336m (12.7%). The largest reduction was in staff costs of £90.314m (13.7%), although it should be noted that the 2019/20 cost includes £23.854m for the 6.3% increase in employer pension contributions funded by Welsh Government. All other non-pay expenditure headings saw reductions linked to the Bridgend boundary change, with the exception of increases of £3.262m in fixed asset impairments and reversals which can fluctuate considerably from year to year, £1.181m in amortisation of intangible fixed assets and £2.468m in losses, special payments and irrecoverable debts.

Statement of Financial Position – Balance Sheet - Page 4

This statement provides a summary of the organisation's assets and liabilities. As at 1st April 2019, all assets and liabilities relating to services provided to the Bridgend population transferred to Cwm Taf Morgannwg Health Board. The value of the balances to transfer was agreed by both health boards and audited by Wales Audit Office with the formal transfer completed through the completion of transfer documentation known as S1 and S2 documents signed by the Chief Executives of the two health boards.

Assets

The total value of property plant and equipment reduced by £148.925m. This was primarily due to the transfer of £150.341m of assets to Cwm Taf Morgannwg Health Board as a result of the Bridgend boundary change.

Trade and other receivables, current and non-current have reduced by £6.385m. The biggest change relates to amounts due/recoverable from Welsh Risk Pool which has reduced by £9.235m, linked to an overall reduction in clinical negligence and personal injury provisions. In addition £6.089m of trade and other receivables transferred to Cwm Taf Morgannwg Health Board on 1st April 2019. The main areas of increase in year are in respect of amounts due from other Welsh Health Boards and from WHSSC. The analysis of other movements in trade and other receivables is provided in the presentation supporting the draft accounts.

Liabilities

Trade and other liabilities current and non-current reduced by £27.473m which was primarily due to the transfer of £24.943m of liabilities to Cwm Taf Morgannwg Health Board on 1st April 2019. The remaining reduction is due to the reduction in the PFI deferred creditor.

Provisions

Provisions, current and non-current reduced by £13.444m with the bulk of this reduction being in clinical negligence provisions (£11.334m). There was also a reduction in other provisions of £1.736m mainly relating to retrospective CHC claims and the settlement of the GP Out of Hours issue with HM Revenue and Customs which was provided for in 2018/19.

Statement of Changes in Taxpayers Equity - Page 5

This statement reports movements in the general fund and revaluation reserve. The general fund is the cumulative year on year position of cash funding received from Welsh Government less net operating costs. Cash funding in 2019/20 amounted to £939.284m, with notional funding of £23.854m representing the amount paid by Welsh Government directly to the NHS Pensions Agency in respect of the 6.3% increase in employer pension contributions. Net operating costs amounted to £930.886m with £131.489m of the general fund transferred to Cwm Taf Morgannwg Health Board in respect of property, plant and equipment.

The revaluation reserve records retained increases in asset values as a result of indexation or previous upward revaluations. There was an increase of £3.399m due to indexation of land and building assets, with £18.851m of the reserve transferred to Cwm Taf Morgannwg Health Board, this being the value held in the revaluation reserve in respect of the property plant and equipment transferred under the Bridgend boundary change.

Statement of Cash Flows –Page 7

This statement provides a summary of the cash transactions for the year. Cash spent on revenue activities amounted to £907.444m with capital activities resulting in a cash outflow of £35.220m. These cash outflows were funded by £939.284m of cash from Welsh Government, £0.197m of capital grants and £2.839m relating to the capital element of payments in respect of the PFI scheme. Of the Welsh Government funding £33.794m of cash was provided for movement in working capital balances (largely due to the transfer of £20.061m for the Bridgend boundary change) and £15.3m in repayable strategic cash assistance to support the revenue deficit position.

5. RECOMMENDATIONS

- 5.1. The Audit Committee is asked to note the draft annual accounts for 2019/20, subject to any issues that may arise from the ongoing audit of the accounts by Wales Audit Office.