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Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board



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| Meeting Date | 16th May 2019 | Agenda Item | 5b |
| Report Title | Draft Annual Accounts 2018/19 | | |
| Report Author | Andrew Biston, Head of Accounting & Governance | | |
| Report Sponsor | Lynne Hamilton, Director of Finance | | |
| Presented by | Lynne Hamilton, Director of Finance | | |
| Freedom of Information | Closed | | |
| Purpose of the Report | To provide the Audit Committee with the draft annual accounts for ABMU Health Board for 2018/19 and to provide an opportunity for the Audit Committee to raise any questions or concerns in relation to the accounts. | | |
| Key Issues | <p>The draft annual accounts were submitted to Welsh Government by midday 26th April in accordance with the timetable issued in the 2018/19 Welsh Government Manual for Accounts.</p> <p>Wales Audit Office commenced their audit of the accounts on 29th April and will provide their report on the accounts to the Audit Committee and Board on 29th May 2019.</p> <p>The audited accounts, ratified by the Board will need to be submitted to Welsh Government by midday on Friday 31st May 2019.</p> | | |
| Specific Action Required <i>(please ✓ one only)</i> | Information | Discussion | Assurance |
| | | ✓ | |
| Recommendations | <p>Members are asked to:</p> <p>Discuss and Note</p> <p>The draft annual accounts for 2018/19 which are currently subject to audit by Wales Audit Office.</p> | | |

1. INTRODUCTION

- 1.1. The draft annual accounts were submitted to Welsh Government by midday on 26th April 2019 in accordance with the timetable issued in the 2018/19 Welsh Government Manual for Accounts. 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 29th May 2019.

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. Wales Audit Office aim to issue their draft ISA 260 report on the accounts for discussion with the health board on 23rd May 2019 and it is envisaged that this report will be agreed and circulated to Audit Committee and Board members on Friday 24th May together with the final accounts in readiness for the Audit Committee and board meetings on 29th May 2019. Any changes recommended by Wales Audit Office and accepted by the health board will be included in the final accounts and reported to the 29th May Audit Committee. The Audit Committee will then be asked to approve the accounts at the meeting on 29th May for ratification by the Board at the meeting following the Audit Committee.
- 2.3. The timetable prescribed for draft accounts submission by Welsh Government continues to be a considerable challenge. In order to achieve the timetable a pragmatic approach is 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 2019 meeting.

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 2018/19 the health board did not remain within this limit, exceeding it by £9.879m. Over the rolling 3 year period from 2016/17 to 2018/19 the health board exceeded its revenue resource limit by £81.612m as

detailed on page 23 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 2018/19 the health board achieved this target with an under spend of £0.040m. The target was also achieved over the 3 year period from 2016/17 to 2018/19 with a cumulative under spend of £0.176m as detailed on page 23 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 2018/19.

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 2018/19 with performance being 94.8%, this being due to delays in the payment of nurse bank invoices earlier in the financial year. The health board performance with regard to payment of NHS invoices was poor with only 84% of NHS invoices paid within 30 days and action will be taken in 2019/20 to improve this performance.

4. ANALYSIS OF ACCOUNTS

- 4.1. A detailed analytical review of the accounts will be presented to the Committee at the meeting on 16th 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.

Primary care services expenditure totalled £245.546m, an increase of £3.494m or 1.44% against the previous year. The main increases were in General Medical Services (£8.426m) and General Dental Services (£1.523m), offset by reductions in Prescribed Drugs and Appliances of £4.460m and Other Primary Care Expenditure of £1.473m.

Expenditure on healthcare from other providers totalled £250.518m, an increase of 5.05% against the previous year. The main movements saw increases in goods and services from WHSSC (£4.716m), with private providers in respect of outsourcing (£3.887m), continuing healthcare (£2.539m) and expenditure with local authorities (£3.283m) offset by reductions in goods and services from other NHS Wales Health Boards (£1.967m) and NHs funded nursing care (£2.374m).

Expenditure on hospital and community services increased by £10.815m. This included a reduction of £13.627m in fixed asset impairments and reversals which can fluctuate considerably from year to year and a reduction of £1.966m in depreciation both of which are funded based on actual costs by Welsh Government. With the exception of clinical supplies and services which reduced by £3.962m linked to the one off benefit of the write back of the drugs goods received not invoiced reported to Audit Committee in November, non pay expenditure was broadly in line with 2017/18. The main increase in costs was due to staff costs which increased by £29.988m.

Statement of Financial Position – Balance Sheet - Page 4

This statement provides a summary of the organisation's assets and liabilities.

Assets

The total value of property plant and equipment increased by £8.656m. A detailed analysis of the movement will be provided in the presentation supporting the draft accounts.

Trade and other receivables, current and non current have reduced by £34.673m. The biggest change relates to amounts due/recoverable from Welsh Risk Pool which has reduced by £37.998m, linked to an overall reduction in clinical negligence and personal injury provisions. 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 £2.447m. This reduction is primarily due to the reduction in the PFI deferred creditor.

Provisions

Provisions, current and non current reduced by £34.023mm with the bulk of this reduction being in clinical negligence provisions (£32.153m). There was also a reduction in the provision for retrospective CHC claims of £1.301m following the settlement of a number of phase 3 claims

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 2018/19 amounted to £1.152m with net operating costs amounting to £1.143m. The revaluation reserve records retained increases in asset values as a result of indexation or previous upward revaluations. The net increase of £2.250m is mainly due indexation of land and building assets.

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 £1,119m with capital activities resulting in a cash outflow of £35.6m. These cash outflows were funded by £1,152m of cash from Welsh Government, £0.384m of capital grants and £3.204m relating to the capital element of payments in respect of the pFI scheme. Of the Welsh Government funding £8.154m of cash was provided for movement in working capital balances and £7.979m 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 2018/19, subject to any issues that may arise from the ongoing audit of the accounts by Wales Audit Office.