



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Bae Abertawe
Swansea Bay University
Health Board

FINANCE DEPT. PRESENTATION TO AUDIT COMMITTEE 2018/19 DRAFT ANNUAL ACCOUNTS

Lynne Hamilton
Director of Finance
16th May 2019

1. Financial Context of the 2018/19 year
2. Performance against Financial Targets
3. Analytical review of Comprehensive Net Expenditure
 - a) Expenditure on Primary Healthcare Services
 - b) Expenditure on Healthcare from Other Providers
 - c) Expenditure on Hospital & Community Health Services
 - d) Miscellaneous Income
4. Staffing Analysis
5. Analytical review of Statement of Financial Position (Balance Sheet)
 - a) Property, Plant & Equipment
 - b) Receivables, Payables & Provisions
 - c) Taxpayers Equity
6. Summary & Next Steps

The 2018/19 IMTP Financial Framework Plan

	£m
2017/18 Carry Forward Deficit	34.0
Cost & Demand Growth	25.4
Total Cost Requirement	59.4
Additional Welsh Government Funding:	
Additional Allocations	-13.1
Savings & Cost Containment	-21.2
2018/19 IMTP Opening Financial Plan	25.1
Control Total Agreed Reduction	-5.1
2018/19 Initial Deficit Control Total	20.0
WG Funding Support	-10.0
2018/19 Final Deficit Control Total	10.0

Note 2.1 (Page 23)**1. Revenue Resource Performance (Statutory)**

From 1st April 2014, Health Boards were required to ensure that expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years.

The Health Board received £7.979 million repayable cash only support in 2018-19. The accumulated cash only support provided to the Health Board by the Welsh Government is £63.271 million as at 31 March 2019.

	Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Total
	£000	£000	£000	£000
Revenue Resource Funding	1,060,938	1,096,250	1,133,300	3,290,488
Total Operating Expenses	1,100,254	1,128,667	1,143,179	3,372,100
Under/(Over) spend against Allocation	(39,316)	(32,417)	(9,879)	(81,612)
As a % of Target	3.71%	2.96%	0.87%	2.48%

ABMU Health Board has not met its financial duty to break-even against its Revenue Resource Limit over the 3 years 2016/17 to 2018/19

Note 2.1 (Page 23)**2. Capital Resource Performance (Statutory)**

From 1st April 2014, Health Boards were required to ensure that expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years.

	Year 1 2016/17	Year 2 2017/18	Year 3 2018/19	Total
	£000	£000	£000	£000
Capital Resource Allocation	43,845	40,093	36,447	120,385
Charge against Capital Resource Allocation	43,751	40,051	36,407	120,209
Under /(Over) Spend Against Allocation	94	42	40	176
As % of Target	0.21%	0.10%	0.11%	0.15%

ABMU Health Board has met its duty to break-even against its Capital Resource Limit over the 3 years 2016/17 to 2018/19

Note 2.3 (Page 24)

3. Duty to prepare a 3 Year Plan (Statutory)

From 1st April 2014, Health Boards were required to prepare a plan in accordance with planning directions issued by Welsh Ministers, to secure compliance with the duty, while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

The Health Board IMTP Plan was not approved in 2016/17

The Cabinet Secretary for Health & Social Services approval status for 2017/18 to 2019/20 is Not Approved

The Health Board has therefore not met its statutory duty to have an approved IMTP for the period 2017/18 to 2019/20

Note 7.1 (Page 35)**4. Prompt Payment Code (Non Statutory)**

The Welsh Government requires that Health Boards pay their trade creditors in accordance with the **CBI Prompt Payment Code (PSPP)** and Government Accounting rules. The financial target is to pay 95% of these non NHS invoices (number, not financial value) within 30 days of delivery.

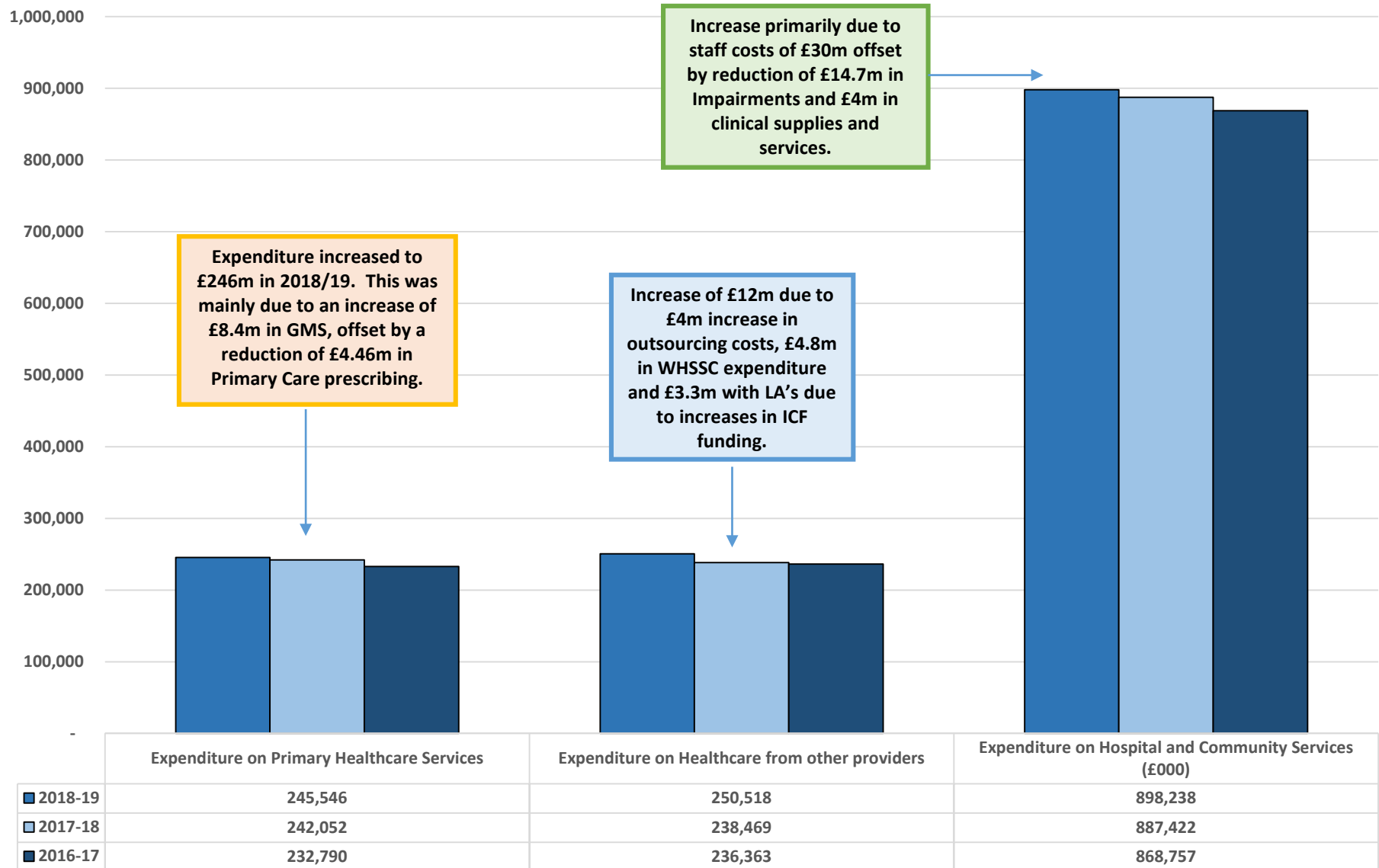
This service is provided to all Health Boards by NWSSP Accounts Payable Services

Non-NHS Invoices	2018/19	2017/18	2016/17
Total number of Invoices Paid	310,861	300,160	297,931
Total number paid within Target	294,597	282,150	286,394
% of Invoices Paid within Target	94.8%	94.0%	96.1%

ABMU Health Board did not achieve the best practice PSPP target for 2018/19. This was mainly due to delays in processing nurse bank invoices in the early months of 2018/19, relating to a backlog of prior year invoices, without this backlog the PSPP target would have been achieved.

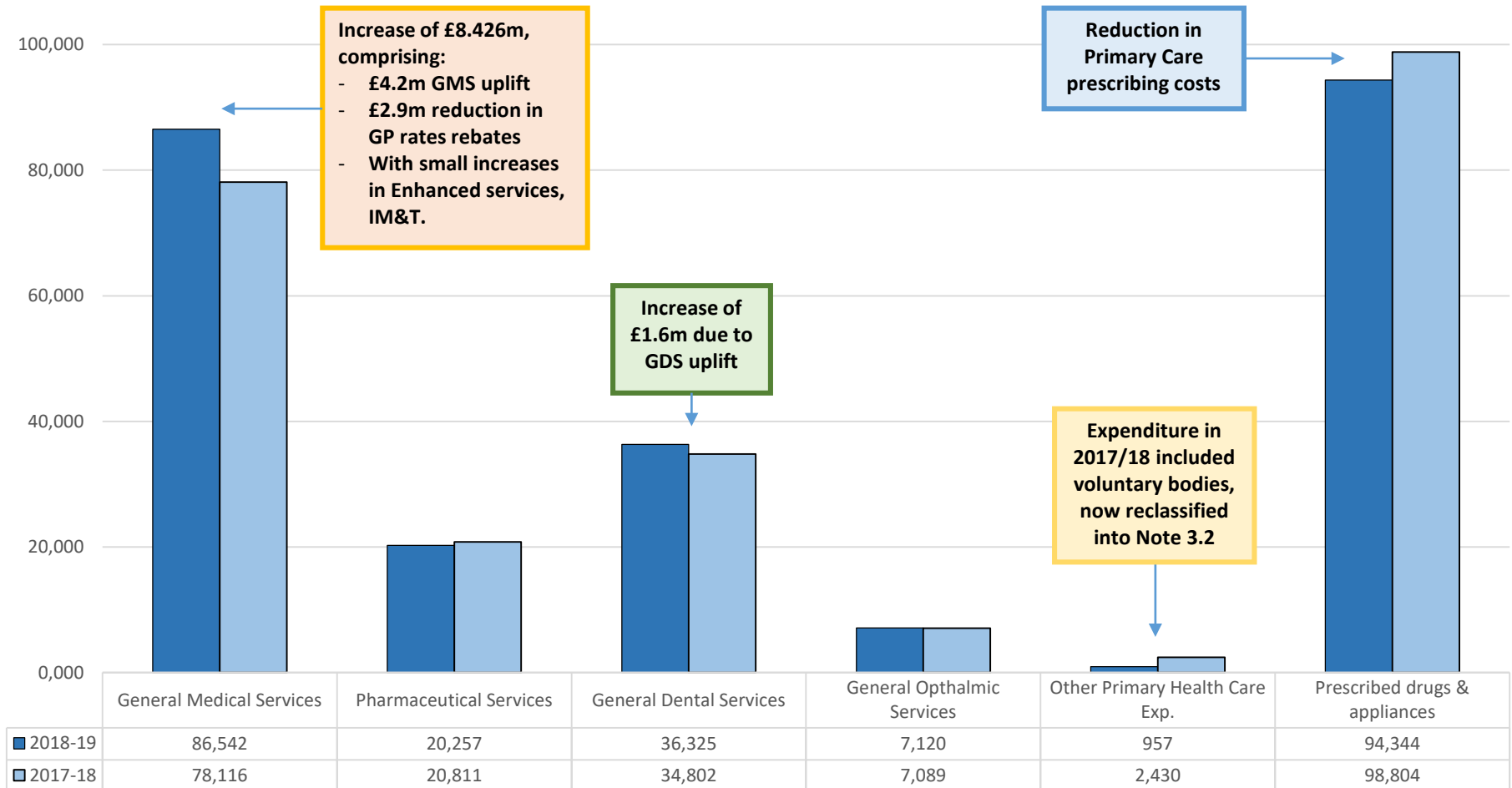
Statement of Comprehensive Net Expenditure (SOCNE)

SOCNE (Page 2)	2018/19	2017/18	Key Variances	
	£000	£000	£000	%
Expenditure on Primary Health Care	245,546	242,052	+3,494	+1.4
Expenditure on Healthcare from Other Providers	250,518	238,469	+12,049	+5.1
Expenditure on Hospital & Community Health Services	898,238	887,423	+10,815	+1.2
Sub Total	1,394,302	1,367,944	+26,358	+1.9
Less Miscellaneous Income	-255,796	-243,248	-12,548	+5.6
Net Operating Costs Before Interest and Other Gains & Losses	1,138,506	1,124,696	+13,810	+1.2
Other (Gains)/Losses	-292	-127	-165	
Finance Costs	5,165	4,923	+242	
Net Operating Costs for the Financial Year	1,143,379	1,129,492	+13,887	+1.2

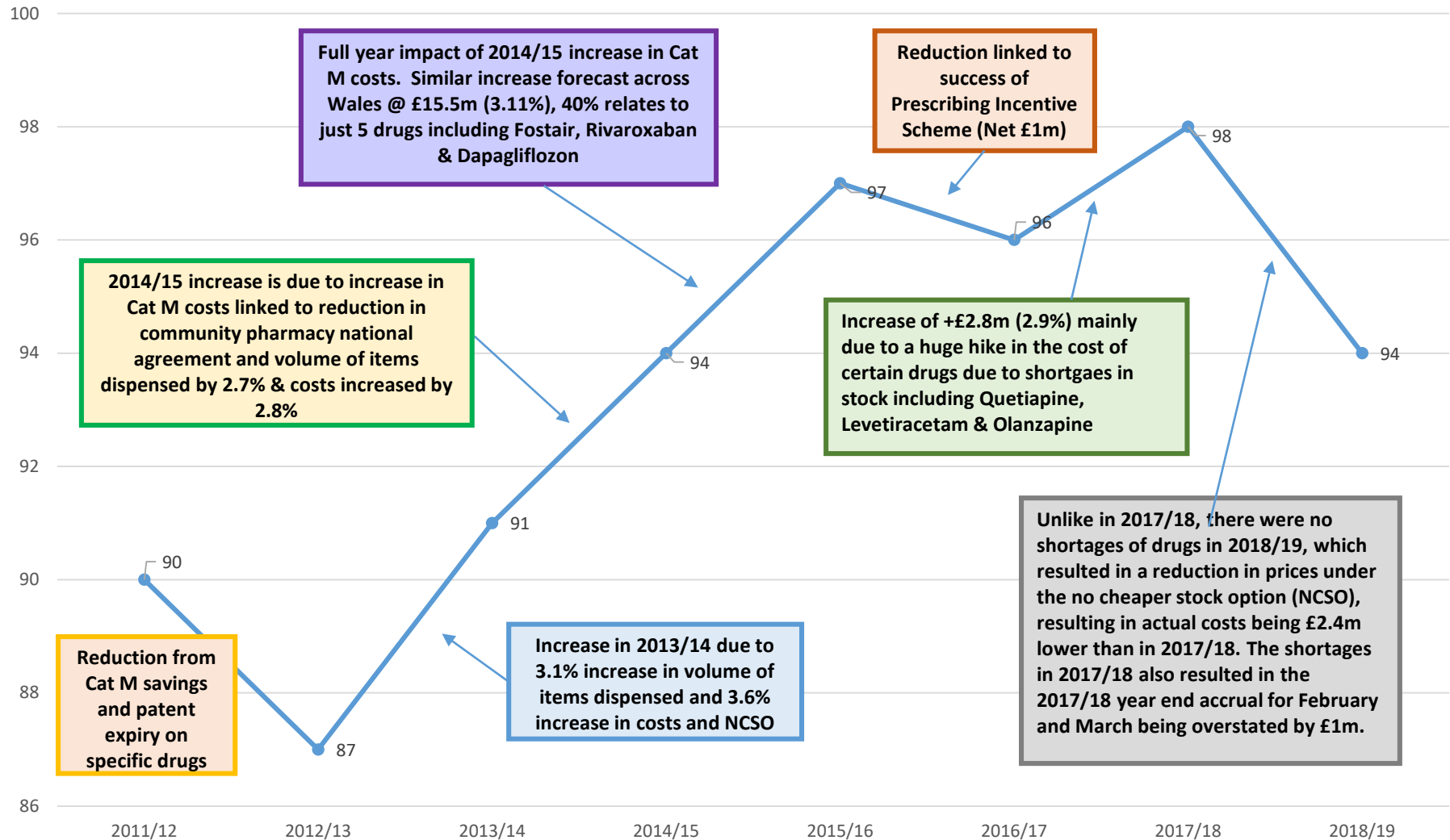


Expenditure on Primary Healthcare Services (£000) – Note 3.1 (Page 25)

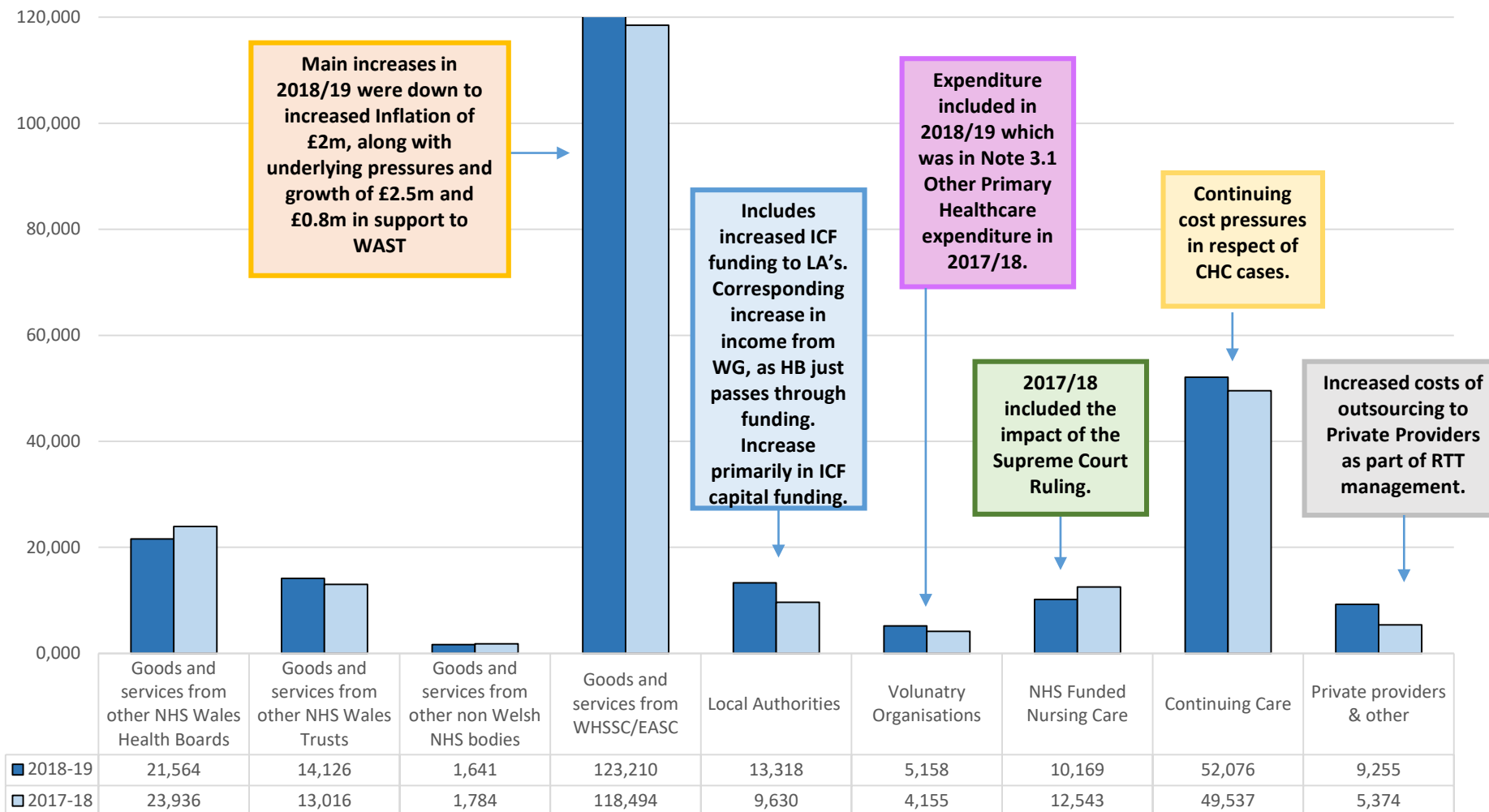
2018/19 £246m 2017/18 £242m (1.4%)



Prescribed Drugs & Appliances 8 Year Expenditure Trend



Expenditure on Healthcare from Other Providers (£000) Note 3.2 (Page 25) 2018/19 £251m 2017/18 £238m (5.1%)



Expenditure on Hospital & Community Health Services – Note 3.3 (Page 26)

	2018/19 £0	2017/18 £0
Directors' costs	1,846	1,799
Staff costs	657,097	627,156
Supplies and Services - Clinical	130,772	134,734
Supplies and Services – General	10,886	11,117
Consultancy Services	530	476
Establishment	14,365	14,817
Transport	2,881	3,208
Premises	29,340	28,866
External Contractors	3,816	3,829
Depreciation	30,529	32,495
Amortisation	772	607
Fixed asset impairments & reversals	1,089	14,716
Audit fees	406	407
Losses, special payments and irrecoverable debts	3,035	3,739
Research and Development	5,978	4,982
Other operating expenses	4,896	4,475
Total	898,238	887,423

Staff Costs +£29.9m mainly due to:

- £20m - Pay Award Impact
- £5m - Agency spend Increase
- £1.3m - Nurse Staffing Act Investment
- £1.3m - Overtime Holiday Pay
- £2.3m - Other investments (MH transformation, Winter, Critical Care)

Supplies & Services – Clinical

Linked to the one off benefit of £4m in drugs costs from the review of goods received not invoiced reported in November to Audit Committee.

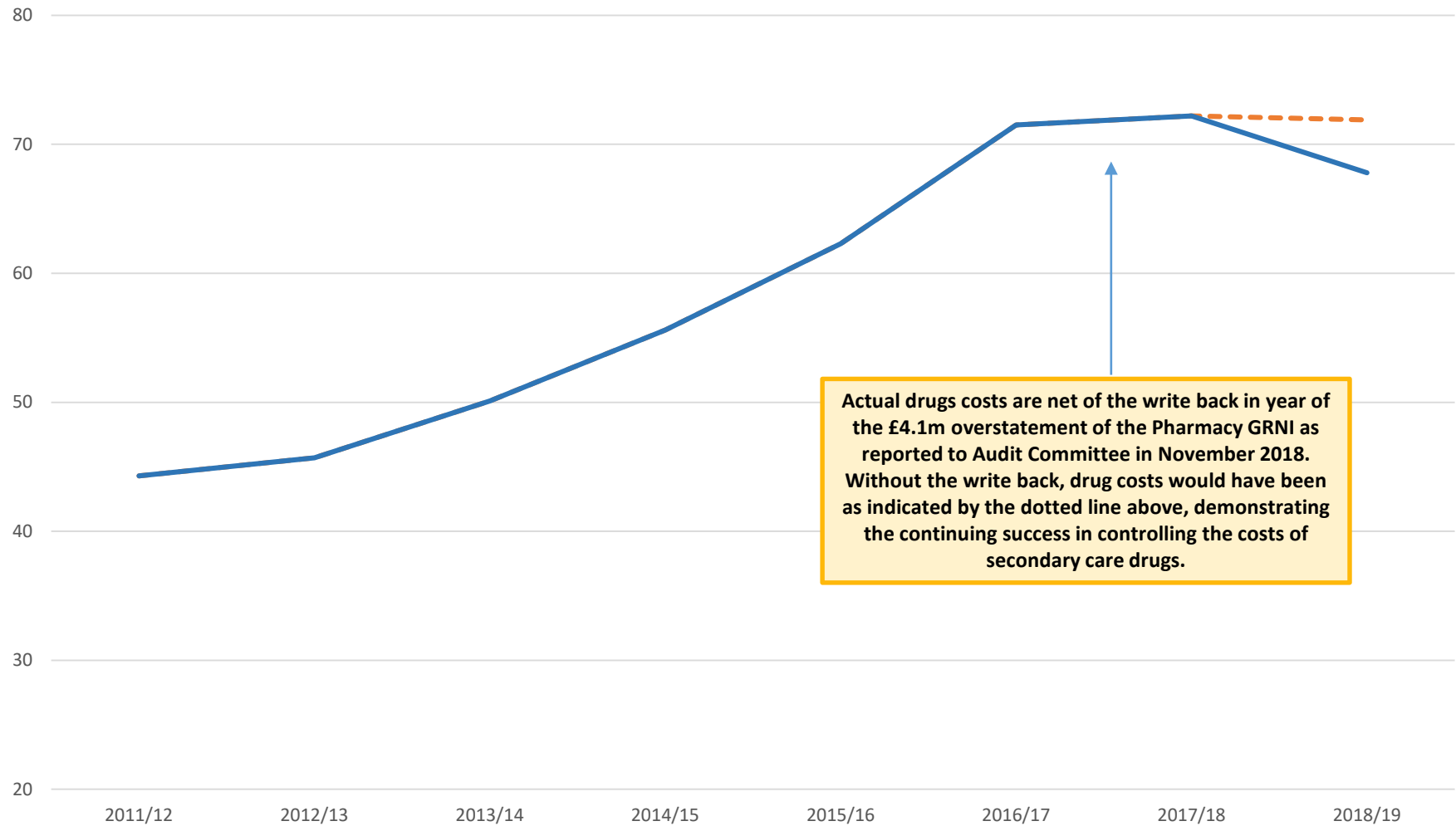
Non Staff Costs

These costs remain stable, with no dramatic movements during the year.

Fixed Asset impairments & reversals

The 2017/18 figure includes the impact of the 5 yearly revaluation of the NHS Estate effective from 1st April 2017.

Hospital & Community Drugs Expenditure 8 Year Trend (£m)



Actual drugs costs are net of the write back in year of the £4.1m overstatement of the Pharmacy GRNI as reported to Audit Committee in November 2018. Without the write back, drug costs would have been as indicated by the dotted line above, demonstrating the continuing success in controlling the costs of secondary care drugs.

Miscellaneous Income – Key Variance (+£1.0m 1.3%) – Note 4 (Page 27)
2018/19 £256m **2017/18 £243m**

	2018/19	2017/18	Key Variances	
	£000	£000	£000	%
LHBs	69,037	67,042	+1,995	
WHSCC/EASC	107,369	102,615	+4,754	4.6%
NHS Trusts	6,059	6,808		
Health Education & Improvement	5,976	0	+5,976	
Other NHS England bodies	3,521	3,277		
Local Authorities	7,404	7,504		
Welsh Government	11,168	8,170	+2,998	+36.7%
Non NHS	17,079	16,307		
Education , Training & Research	17,460	22,548	-5,088	-22.6%
Charitable contributions to Expenditure & Receipt of Donated Assets	1,514	1,062		
Receipt of Government granted assets	384	0		
Non Patient Care Income Generation	656	643		
Deferred income released to revenue	822	245		
Rental Income from Operating Leases	509	522		
Other Income	6,838	6,555		
Total	255,796	243,248	+12,548	5.2%

Significant over performance in TAVI during 2018/19, along with an over performance in Defibs and Ablations in Cardiology.

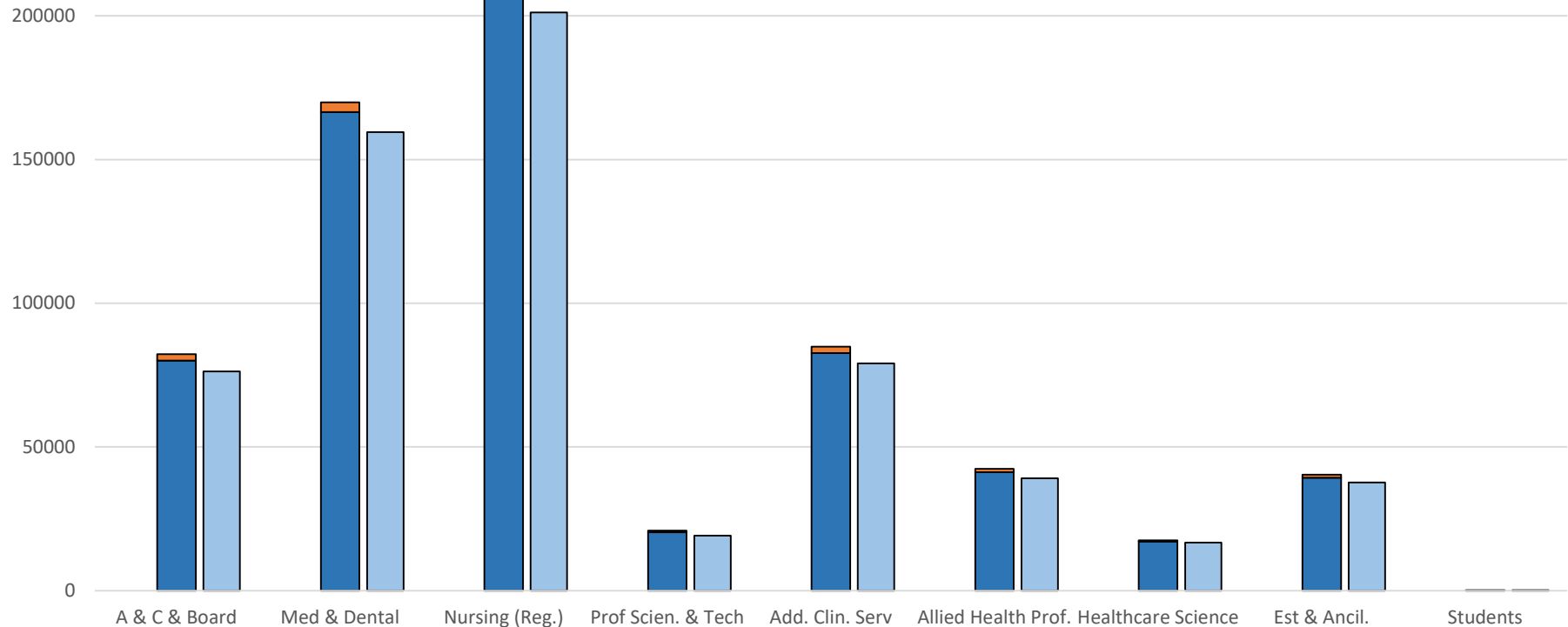
HEIW came into existence on the 1st October 2018. Income from HEIW relates primarily to staff training. There is a corresponding reduction in Education, Training and Research Income below.

Increase in ICF funding which is passed through to LA's. Increase in Capital element flows through revenue stream in Health Board.

HEIW income moved from here to separate heading above

Directors & Staff Costs

Costs (£'000)

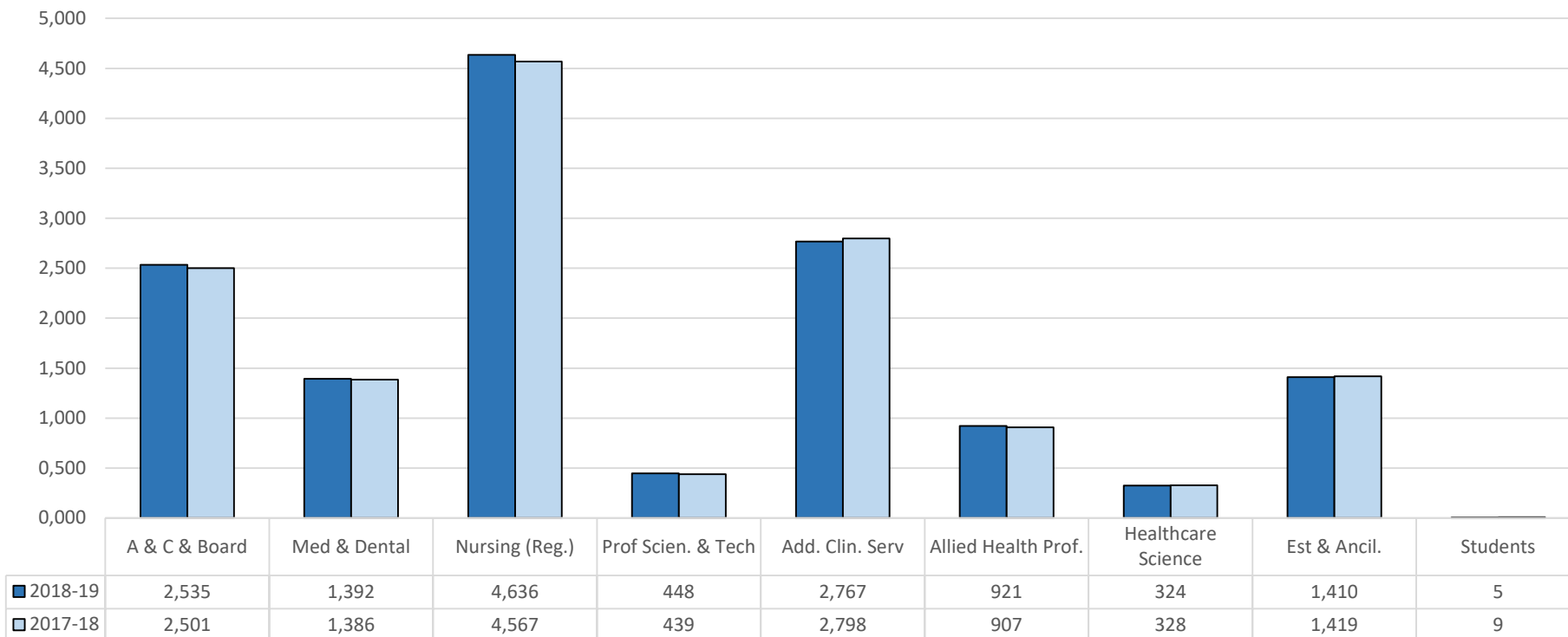


	A & C & Board	Med & Dental	Nursing (Reg.)	Prof Scien. & Tech	Add. Clin. Serv	Allied Health Prof.	Healthcare Science	Est & Ancil.	Students
Pay Awards 2018-19	2,162	3,331	5,713	548	2,233	1,114	461	1,060	3
Actual 2018-19	80,079	166,560	211,584	20,306	82,709	41,268	17,080	39,261	96
Actual 2017-19	76,276	159,586	201,146	19,160	79,125	39,132	16,745	37,621	164

Staff costs have increased in all areas during 2018/19, primarily as a result of the impact of the pay award (shown in Orange above). There was also a significant increase in Agency staff costs in year.

Directors & Staff Numbers (WTE)

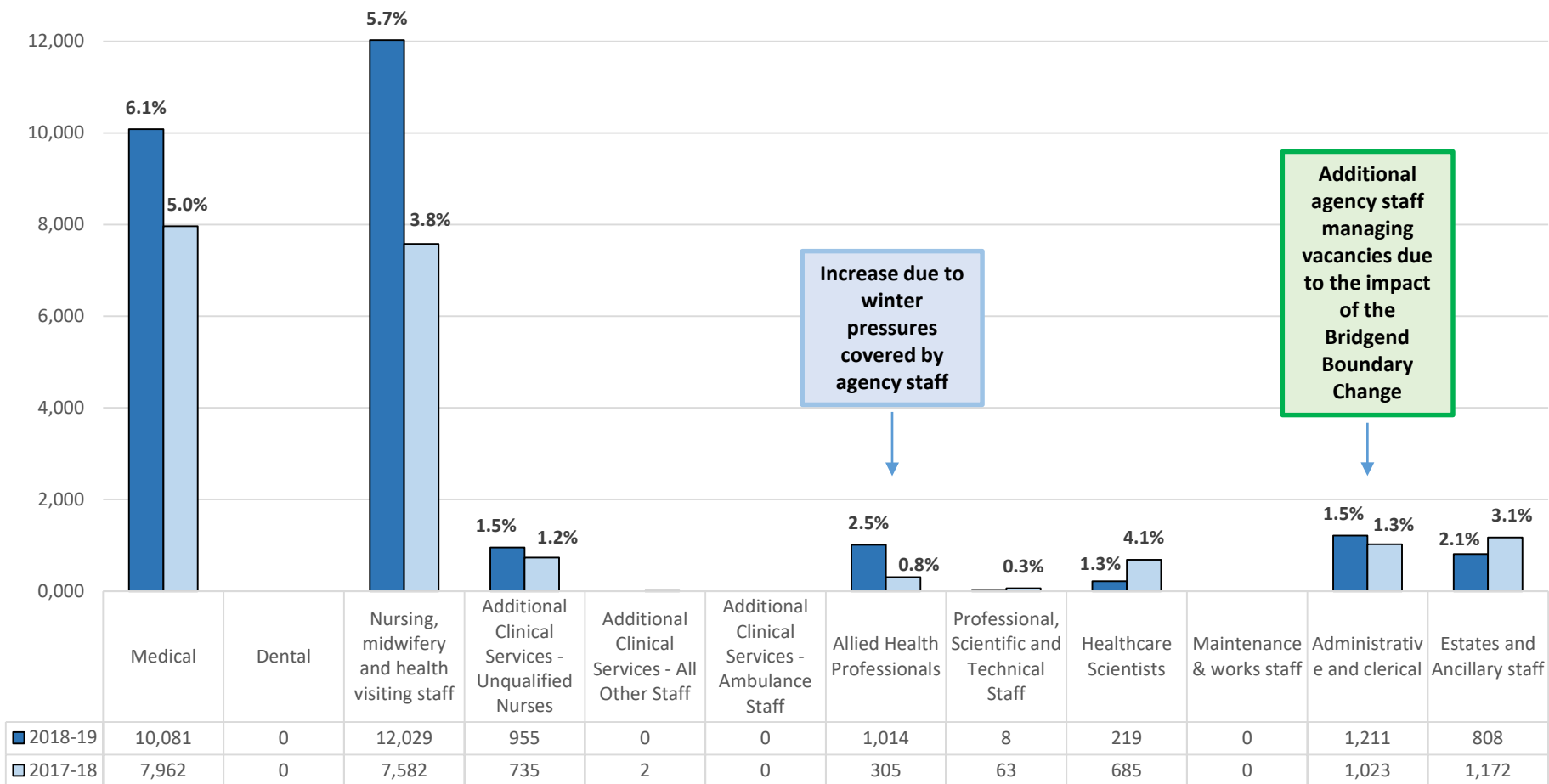
WTE



Main increases

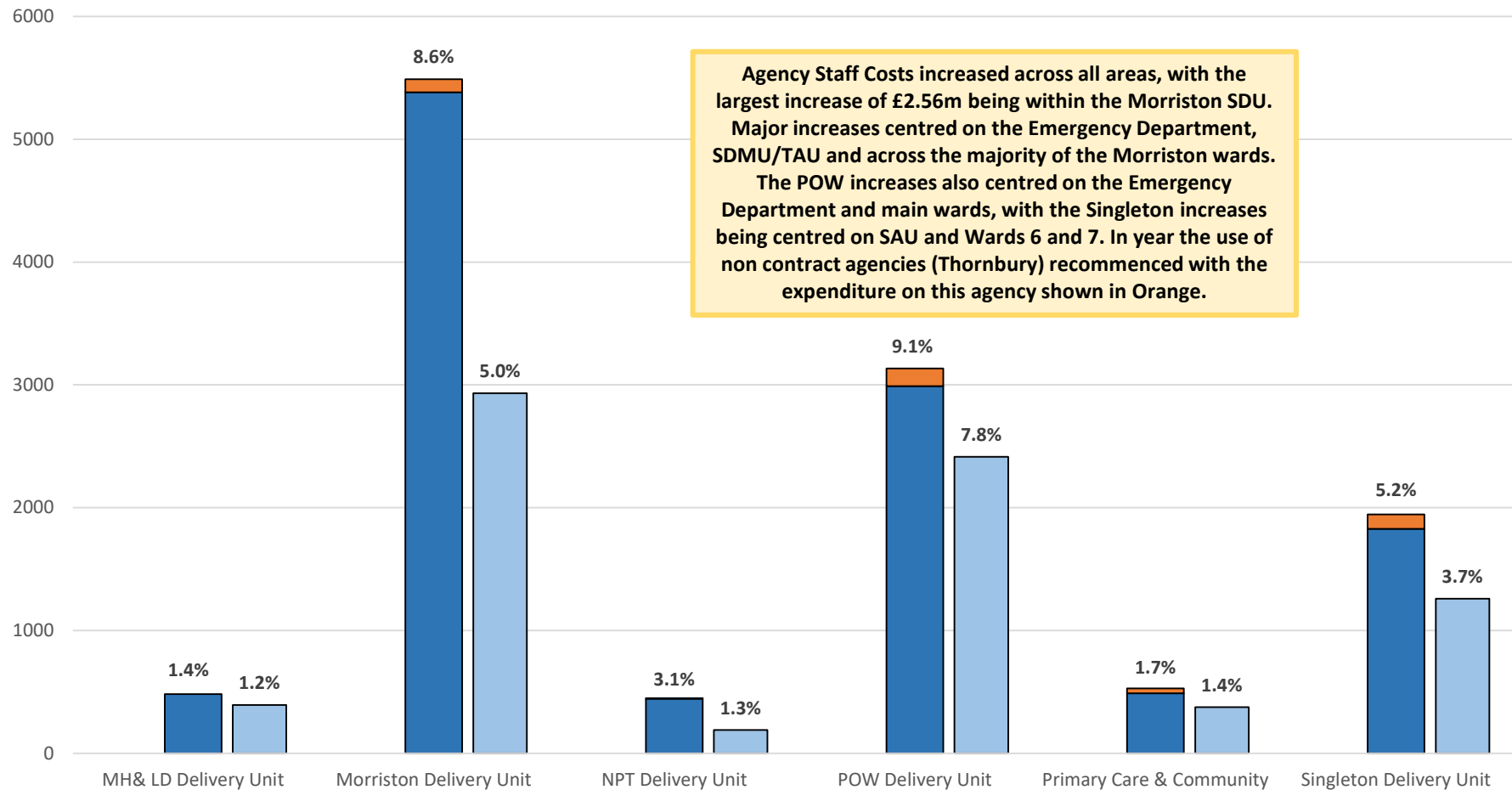
- **Nursing linked to investment as a result of Nurse staffing act.**
- **Allied Health Professionals investment for winter pressures.**
- **Increase in A&C staff, following reductions in previous years. However, an element of the increase is linked to temporary posts regarding Bridgend Boundary Change.**

Agency Cost Comparison



The percentage of agency costs against total actual pay costs by staff group is highlighted above and shows significant increases in Medical, Nursing and Allied Health Professionals.

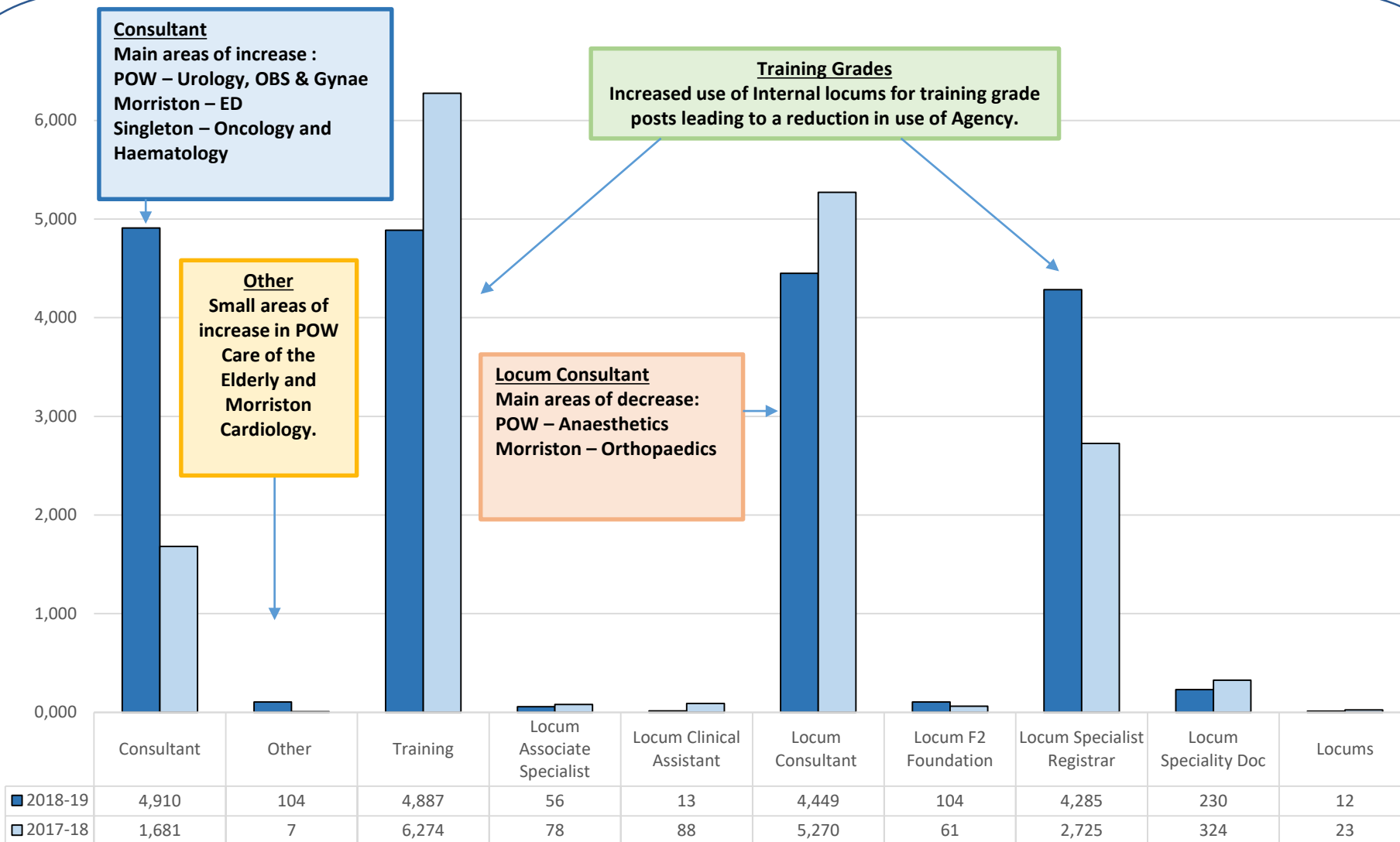
Agency Cost Comparison – Nursing, midwifery and health visiting staff by delivery unit



Agency Staff Costs increased across all areas, with the largest increase of £2.56m being within the Morrirston SDU. Major increases centred on the Emergency Department, SDM/TAU and across the majority of the Morrirston wards. The POW increases also centred on the Emergency Department and main wards, with the Singleton increases being centred on SAU and Wards 6 and 7. In year the use of non contract agencies (Thornbury) recommenced with the expenditure on this agency shown in Orange.

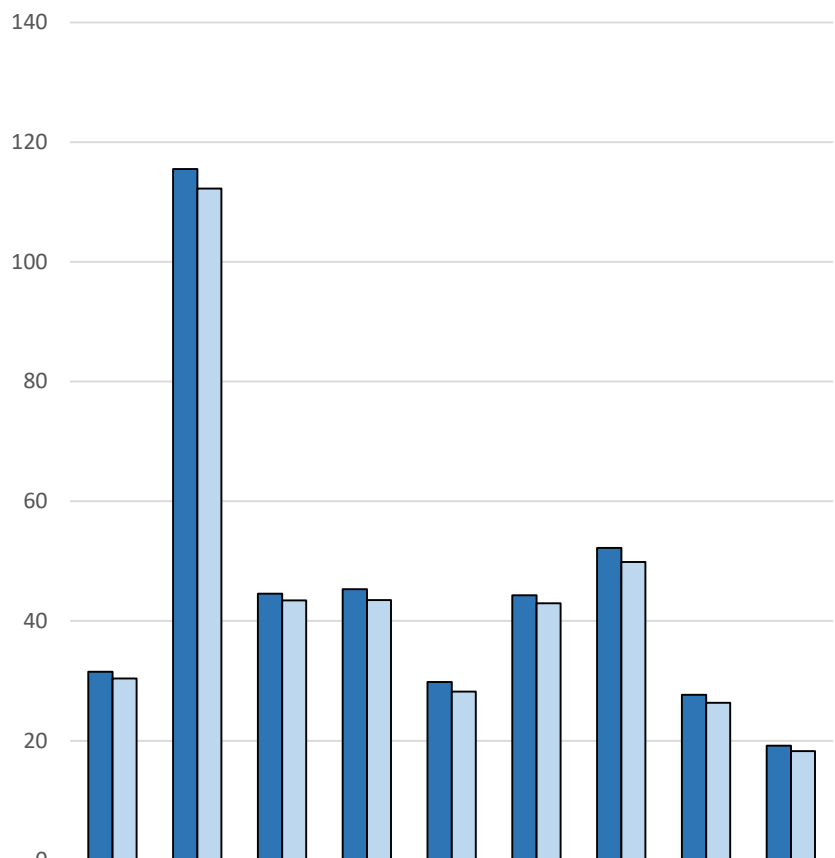
	MH& LD Delivery Unit	Morrirston Delivery Unit	NPT Delivery Unit	POW Delivery Unit	Primary Care & Community Delivery Unit	Singleton Delivery Unit
2017-18	394	2,933	189	2,415	377	1,259
2018-19 - Non Contract Costs	-	107	3	145	39	119
2018-19 - Contract Costs	482	5,382	445	2,989	489	1,827

Medical Agency and Locum Cost Comparison by Grade



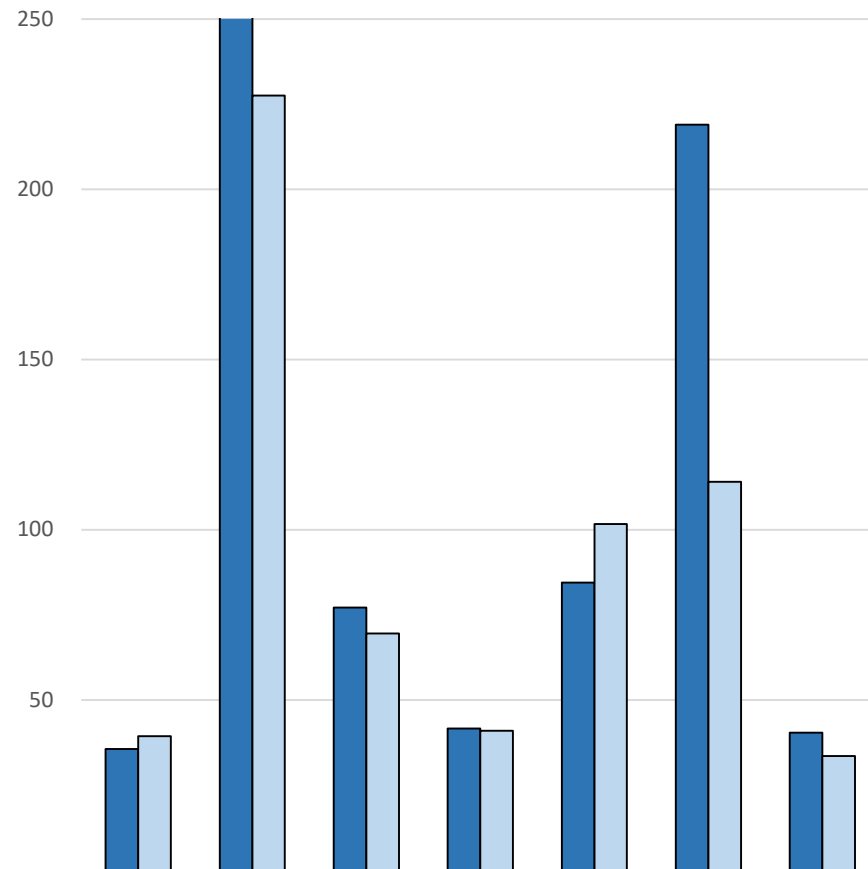
Staff Costs: Average Cost (£000) per Annum per WTE

Substantive Staff



	A & C & Board	Med & Dental	Nursing (Reg.)	Prof. Scien. & Tech	Add. Clin. Serv	Allied Health Prof.	Healthcare Science	Est & Ancil.	Students
■ 2018-19	32	115	45	45	30	44	52	28	19
□ 2017-18	30	112	43	44	28	43	50	26	18

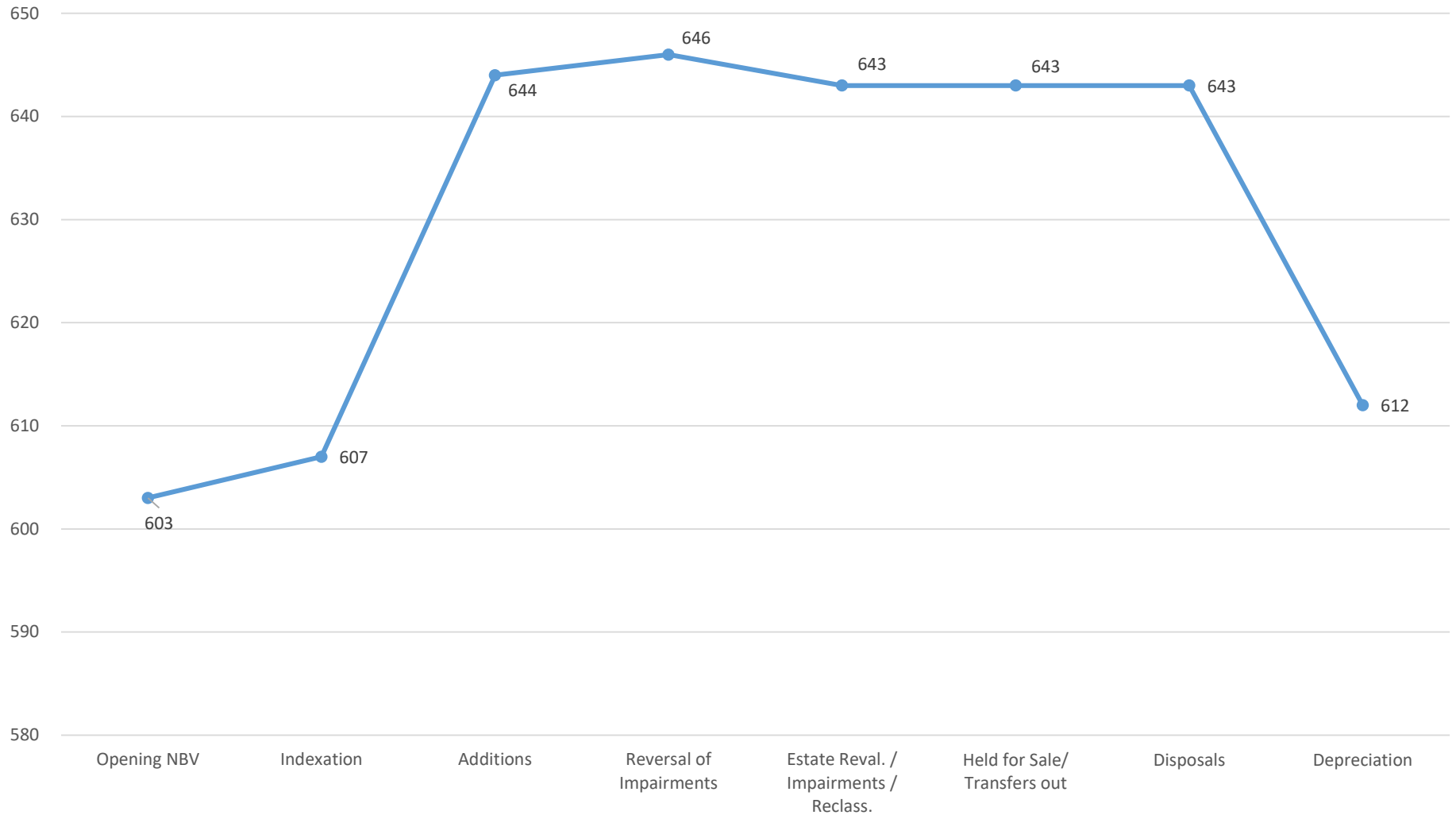
Agency Staff



	A & C & Board	Med & Dental	Nursing (Reg.)	Add. Clin. Serv	Allied Health Prof.	Healthcare Science	Est & Ancil.
■ 2018-19	36	272	77	42	85	219	40
□ 2017-18	39	227	70	41	102	114	33

Statement of Financial Position (Page 4)		31 March 2019	31 March 2018	Key Variances
		£000	£000	£000
Non Current Assets	Property, Plant & Equipment	611,982	603,428	+8,554
	Intangible Assets	2,751	2,474	
	Trade & Other Receivables	108,880	153,983	-45,103
	Total Non Current Assets	723,613	759,885	+36,272
Current Assets	Inventories	10,234	9,725	
	Trade & Other Receivables	66,331	55,901	+10,430
	Cash & Cash Equivalents	830	491	+339
		77,395	66,117	+11,278
Non Current Assets "Held for Sale"		155	330	
	Total Assets	801,163	826,332	-25,169
Current Liabilities	Trade & Other Payables	151,171	150,778	
	Provisions	35,458	24,092	+11,366
	Total Current Liabilities	186,629	174,870	+11,759
	Net Current Liabilities	-109,079	-108,423	
Non Current Liabilities	Trade & Other Payables	40,178	43,018	-2,840
	Provisions	115,048	160,437	-45,389
	Total Non Current Liabilities	155,226	203,455	-48,229
	Total Assets Employed	459,308	448,007	+11,301
Financed By:				
Taxpayers Equity	General Fund	408,417	399,366	+9,051
	Revaluation Reserve	50,891	48,641	+2,250
	Total Taxpayers Equity	459,308	448,007	+11,301

Key Variance – Property, Plant & Equipment (+£8.5m) – Note 11.1 (Page 36)



Key Variances – Assets (Trade & Other Receivables)

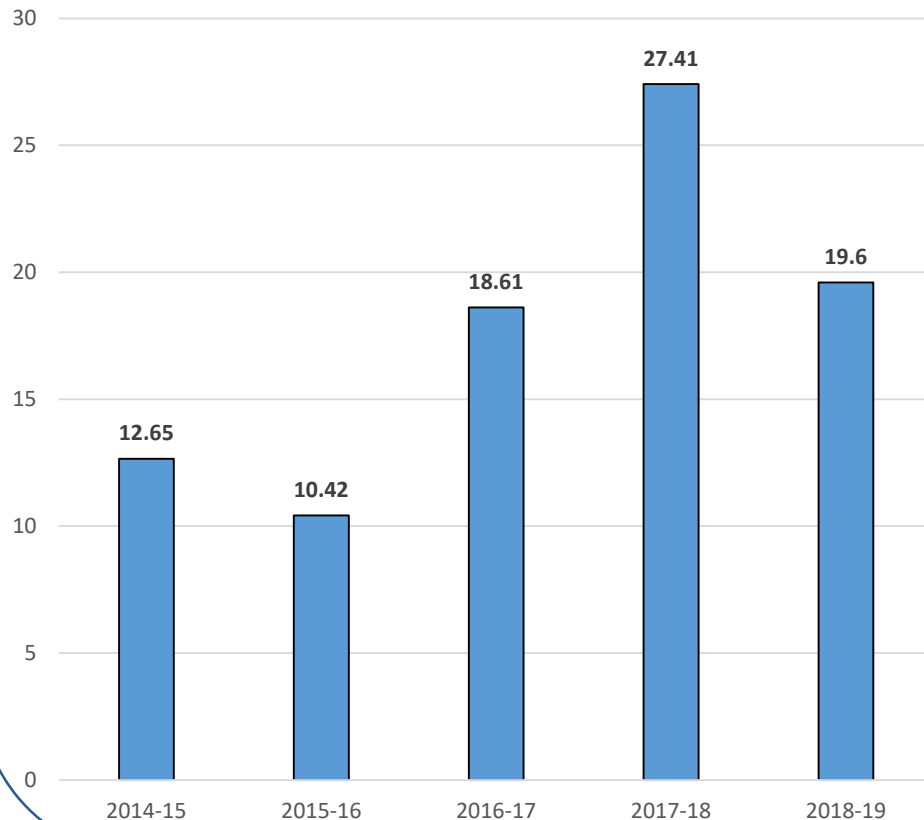
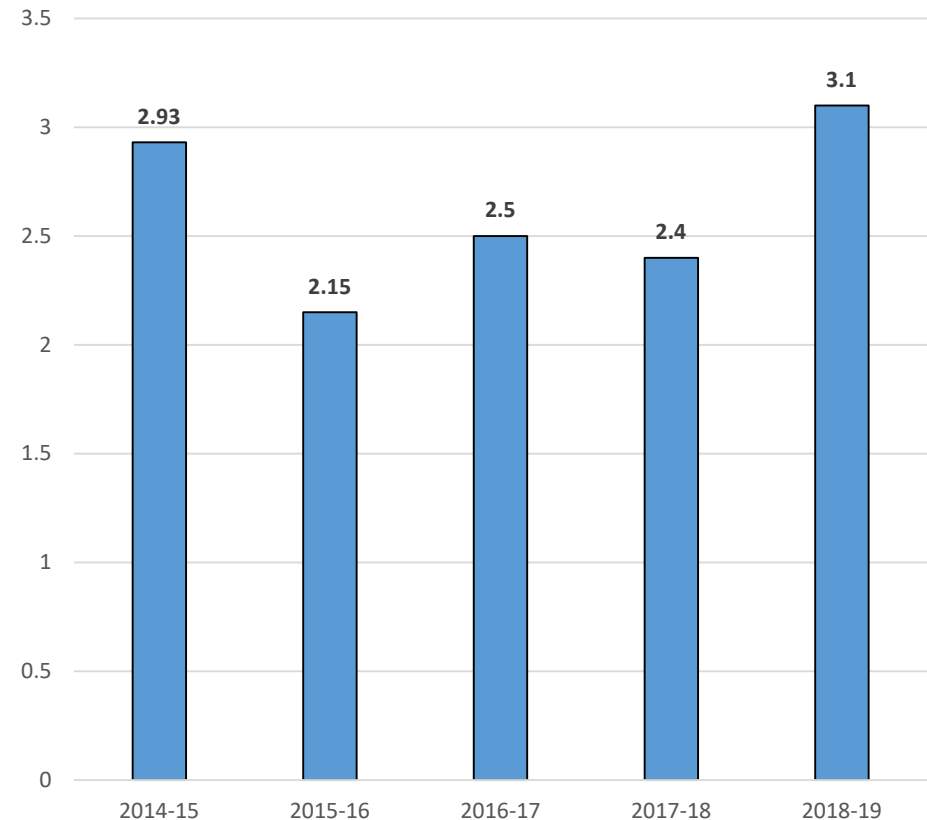
Assets

			Non Current £m	Current £m	Net Change £m
Note 15 P45	Welsh Risk Pool Debtor	Clinical Negligence/Personal Injury	-45.1	7.1	-38.0
Receivables	Welsh Government	Increase in ICF funding outstanding		3.0	3.0
	Other Debtors	LA Section 117 invoices		1.3	1.3
	Provision for irrecoverable debts	Impact of the introduction of IFRS 9 (Expected Credit Losses re Financial Instruments)		-0.8	-0.8
	Movement as per accounts		-45.1	10.6	-34.5
Note 14 P44	Consumables			0.265	0.265
Inventories	Energy	Increase due to plans for no deal Brexit, stock increases in fuel oil & catering stocks. Departments stocked to maximum level.		0.242	0.242
	Movement as per accounts			0.507	0.507

Key Variances - Liabilities

Liabilities

			Non Current £m	Current £m	Net Change £m
Note 16 P46	Finance Leases & PFI Contracts	Reduction in deferred creditor, end of contract 1 year closer	-2.8		-2.8
Payables	Accruals	Write back Pharmacy GRNI of £4.1m		-4.3	-4.3
	Local Authorities	Increased ICF funding – invoices outstanding from Local Authorities		2.2	2.2
	Welsh Health Boards	Main increase with Cwm Taf – late invoice raised in respect of CAMHS WG investment funding.		1.3	1.3
	Pensions	Increase in Pension Contributions – creditor is March payment to HMRC for both employees and employers		0.9	0.9
	Movement as per accounts		-2.8	0.1	-2.7
Note 20 P49	Clinical Negligence	Reduction in provision due to a reduction in the number of certain (12) and probable (10) cases as advised by Legal & Risk Services.	-45	12.8	-32.2
Provisions	Other	Settlement of Retrospective CHC claims and reduction in provision in respect of HMRC review of employment status of GPOOH.		-1.8	-1.8
	Movement as per accounts			-1.8	-1.8

Losses and Special Payments**5 Year Gross Payments Trend (£m)****5 Year Net Losses Trend (£m)**

2017/18 saw increased payments linked to case mix, number of settlements and the change in the discount rate. This settled down in 2018/19. The increase in net losses in 2018/19 is due to the write off of \$117 invoices as reported to the Audit Committee

Clinical Negligence

	2018/19	2017/18	Movement
	£000	£000	£000
Opening Provision	170,495	112,616	
Transfer of Provisions to Creditors	-714	-4,852	
Arising during the year	+33,013	+112,796	
Utilised during the year	-21,451	-22,515	
Reversed unused	-43,001	-27,550	
Closing Provision	138,342	170,495	-32,153

Clinical Negligence – Comparison of Cases

Cases Summary								
Probability			2018/19			2017/18		
			Cases	Provisions £000	%	Cases	Provisions £000	%
1	> 95%	Certain	110	128,506	93	122	163,244	96
2	50-95%	Probable	48	9,836	7	58	7,251	4
3	6-49%	Possible	205	-	-	233	-	-
4	0-5%	Remote	11	-	-	9	-	-
5		Closed/Settled	22	-	-	142	-	-
					-	-	-	-
Change in Discount Rate						-	-	-
Totals			372	138,342	100	564	170,495	100

Redress reported now within Provisions as change in accounting treatment to accruals basis in 2018/19 following transfer of redress process to WRP. Previously accounted for on a cash basis when managed by WG.

Clinical Negligence Provisions – 10 Highest Provision Cases

	Support Unit	Specialty	Date of Claim	Prob.	Revised Total Quantum £m	Less Payments made to 31/03/19 £m	Closing Net Liability (i.e. Provision) £m	% of Total Provision
1	Singleton	Obs & Gynae	13/01/15	1	22.550	-0.250	22.300	
2	POW	Obs & Gynae	31/03/09	1	12.775	-0.751	12.024	
3	Singleton	Obs & Gynae	23/01/15	1	10.815	-0.200	10.615	
4	Singleton	Obs & Gynae	10/06/09	1	10.072	-1.100	8.972	
5	Singleton	Obs & Gynae	11/07/12	1	8.615	-0.045	8.570	
6	Singleton	Obs & Gynae	21/02/12	1	8.250	-0.424	7.826	
7	Singleton	Obs & Gynae	12/07/13	1	8.700	-0.890	7.810	
8	Singleton	Obs & Gynae	03/05/13	1	6.800	-0.090	6.710	
9	POW	Obs & Gynae	06/06/13	1	6.600	-0.073	6.527	
10	Singleton	Obs & Gynae	21/11/13	1	4.700	-0.430	4.270	
Sub Totals					99.877	-4.253	95.624	74%
All Other Cases							42.284	26%
Totals							128.506	100%

Taxpayers Equity – Key Variances**➤ General Fund – Increased by £9.051m mainly due to:**

- +£33.412m Funding drawn down to finance the Capital Programme
- **-£25.133m** Non Cash Adjustments (Impairment & Depreciation Funding)
- +£1.276m Transfer from Revaluation Reserve
- **-£0.504m** Impact of IFRS 9 implementation – Prior year restatement

➤ Revaluation Reserve - Increased by £2.250m mainly due to:

- +£3.526m Land and Buildings Revaluation of scheme completed in year by Valuation Office Agency
- **-£1.276m** Release of reserves to general fund following initial valuation on completion of schemes

1. Subject to WAO completion of their Audit Review Work and Opinion:

The Health Board met just one financial targets:

✓ **Capital Resource Performance**

X **Public Sector Payment Policy**

X **Revenue Resource Performance**

X **3 Year Approved IMTP**

2. Income & Expenditure has been analysed over the main headings with key variances between the 2 years explained.

3. Meeting of Audit Committee on Wednesday, 29th May 2019 to review the Audited Accounts & receive the ISA 260 Report from Wales Audit Office

4. Meeting of the Health Board on Wednesday, 29th May 2019 to adopt Audited Accounts

5. Submission of Audited Accounts to Welsh Government on Friday, 31st May 2019

6. Auditor General for Wales Opinion & Sign Off on Tuesday, 11th June 2019

7. Accounts laid before National Assembly for Wales is planned for Wednesday, 12th June 2019

8. Accounts included within the Annual Report issued at Health Board AGM (July)