

SUMMARY REPORT		ABM University Health Board		
Health Board		Date : 25th May 2017 Agenda item: 2 (iv)		
Subject	FINANCIAL REPORT – 2016/17 YEAR-END POSITION			
Prepared by	Samantha Lewis, Assistant Director of Finance Paul Gilchrist, Acting Director of Finance			
Approved & Presented by	Paul Gilchrist, Acting Director of Finance			
Purpose				
To advise Board members of the overall financial position of ABMU Health Board as at 31 st March 2017.			Decision	
			Approval	x
			Information	x
			Other	
Promoting and Enabling Healthier Communities	Delivering Excellent Population Outcomes	Demonstrating Value and Sustainability	Securing a Fully Engaged and Skilled Workforce	Providing Effective Governance and Partnerships
				x
Executive Summary				
The report provides the Health Board with the following updates:- <ul style="list-style-type: none"> i. The 2016-17 Year End financial position of the Health Board, including Balance Sheet, Cash, Capital and Payment Policy Compliance. 				
Key Recommendations				
The Health Board is asked to note the Financial Position of the Health Board for the 31 st March 2017.				
Next Steps				

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1. EXECUTIVE SUMMARY

1.1 Purpose

The report provides the Health Board with an update on the financial performance for the year to date, highlights the financial risks and provides a forecast for the remainder of the financial year. It should be noted that the year end position is subject to Audit review.

1.2 Context

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
- To achieve financial breakeven over a rolling three year period, the first of which commenced on 1st April 2014 and will end on 31st March 2017.

The Health Board had an approved IMTP for 2014/15-2016/17 and 2015/16-2017/18, however the 2016/17-2018/19 plan submitted to Welsh Government was not approved and the Health Board is therefore operating under an Annual Operating Plan for 2016/17.

The Health Board delivered financial breakeven in 2014/15 and 2015/16.

1.3 Summary of Key Financial Targets – March 2017

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000	Delivery Status
Reported year end financial position – deficit/(surplus)	39,317	
Reported year end financial position compared to £20.1m deficit plan	19,217	
Reported year end financial position compared to £34.6m forecast out-turn	4,717	

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 %	Delivery Status
Cumulative year to date % of invoices paid within 30 days (by value)	95.0	
Cumulative year to date % of invoices paid within 30 days (by number)	96.1	

Financial KPIs : To ensure that net capital expenditure does not exceed the Capital resource limit set by Welsh Government	Value £000	Delivery Status
Reported year end financial position - (underspend)/Overspend	(42)	

2. REVENUE POSITION

2.1 Summary Revenue Position

The Health Board has reported a £39.317m overspend to the end of March, against the £20.1m deficit forecast in the 2016/17 Plan. The Health Board year-end outturn position is therefore £19.217m above the financial plan of the IMTP. The reported position is £4.717m above the previously forecast position of £34.6m.

It should be noted that the Health Board reported an overspend of £34.217m, prior to the claw back of £5.1m of WG performance support funding for RTT. Despite an improvement in RTT performance on 36 week waits, the Health Board was not able to deliver the agreed target. The reasons for this are currently being identified.

The in-month overspend is impacted on by some technical financial adjustments. The operational in-month performance showed a slight improvement from that reported in previous months and shows positive signs of stabilisation, that need to be closely monitored as we move into the new financial year.

The table below provides a summary of the key variances in month and for the year to date, along with the full year forecast:

	In Month Position			Year to Date Position		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Income	(125,588)	(132,683)	(7,095)	(1,293,519)	(1,303,582)	(10,063)
Pay	54,100	55,632	1,532	625,188	635,100	9,912
Non Pay	71,488	85,639	14,151	668,331	707,799	39,468
Total Position	0	8,588	8,588	0	39,317	39,317

2.2 Income

The year to date and monthly income performance is shown in table below:

Income	In Month			Year to Date		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Revenue Resource Limit	(103,354)	(103,354)	0	(1,061,085)	(1,061,085)	0
Income from Activities	(19,647)	(21,085)	(1,438)	(202,511)	(205,243)	(2,732)
Other Operating Income	(2,587)	(8,244)	(5,657)	(29,923)	(37,254)	(7,331)
Total Income	(125,588)	(132,683)	(7,095)	(1,293,519)	(1,303,582)	(10,063)

The income over-achievement reflects increasing income from activities undertaken for other Health Boards and increasing levels of income and grants for Research and Development. However income for private patients and Road Traffic Compensation Recovery remains low.

2.3 Pay

Pay Budgets are £9.911m overspend in 2016/17, the key areas of overspend are Medical and Dental and Nursing HCSW.

The table below provides an analysis of Pay Expenditure by Staff group.

Pay Expenditure	In Month			Year to Date		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
Admin & Clerical	7,494	6,883	(611)	79,441	77,770	(1,671)
Medical & Dental	13,955	15,562	1,607	160,020	163,515	3,495
Nursing & Midwifery	17,404	16,930	(474)	206,153	201,989	(4,164)
Add Clinical Services Nursing	4,519	5,290	771	53,400	64,361	10,961
Add Clinical Services - Non-Nursing	1,369	1,287	(82)	15,000	14,187	(813)
AHPs	3,620	3,377	(243)	41,859	39,230	(2,629)
Add Prof, Tech & Scientific	1,878	1,692	(186)	21,144	19,467	(1,677)
Healthcare Scientists	1,398	1,431	33	16,294	16,749	455
Estates & Ancillary	3,139	3,167	28	37,938	37,689	(249)
Students	14	13	(1)	144	143	(1)
Vacancy Factor	(690)	0	690	(6,205)	0	6,205
Total Pay Expenditure	54,100	55,632	1,532	625,188	635,100	9,912

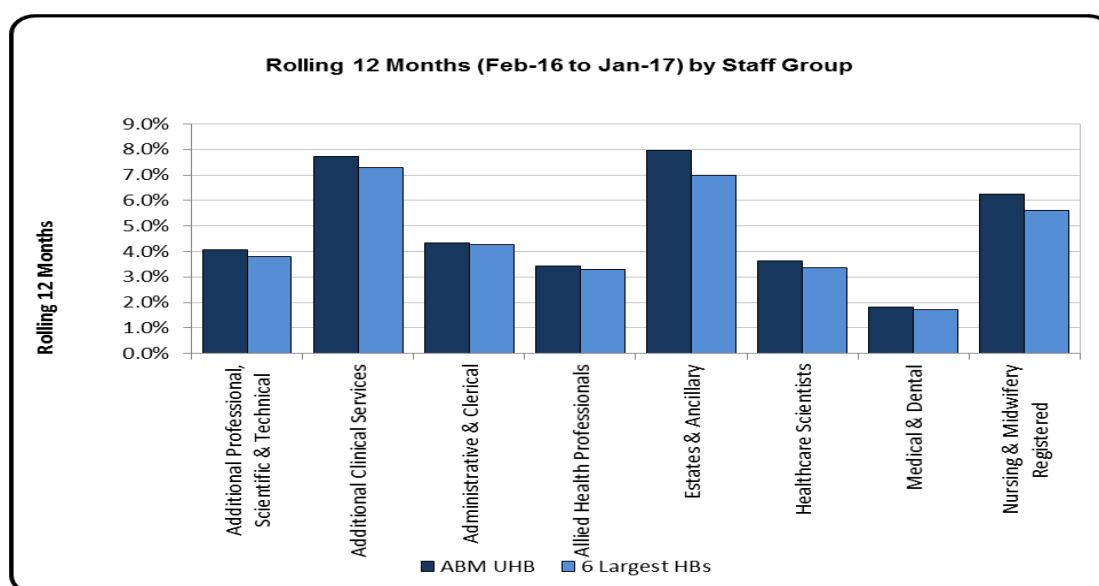
The Medical and Dental budgets overspent by £3.5m in 2016/17 against a budget of £160m, which is an overspend of around 2.2%. This represents a marked increase from the overspend of £0.4m reported in 2015/16. The overspend includes £9.8m of agency costs and £6.9m internal cover costs, both of which are materially higher than the costs incurred in the previous year, which were £8.0m agency and £4.9m internal cover. During the financial year, there has been a growth in the numbers of medical staff employed, however agency and internal cover costs have continued to rise, due to service demands and increasing Deanary training requirements.

Nursing and HCSW budgets are considered together as due to registered nursing recruitment difficulties additional HCSW resources have been utilised. The Nursing and HCSW budgets are overspent by £7.6m in 2016/17, against a budget of £259m, which represents an overspend of around 2.9%. This is an improvement of around £2m from the £9.6m overspend reported in 2015/16. The improvement reflects the significant reductions in Agency spend from £12.5m in 2015/16 to £8.1m in 2016/17. During this period the total bank, agency, overtime and additional hours usage has remained fairly constant, but the usage has shifted from premium agency to less expensive cover alternatives. There has been a growth in substantive nursing staff numbers during the last 12 months of around 180 wte, of which 20 wte are

registered nurses and 160 wte are HCSW. Despite significant recruitment efforts both locally and overseas, the level of registered nursing vacancies remains at just over 300 wte.

The Health Board is experiencing increasing levels of sickness absence, with the reported cumulative sickness absence to the end of March being 5.7%. This has implications for variable pay.

The graph below provides an analysis of the sickness absence rate by staff group and provides a comparison to the average sickness rate for the 6 largest Health Boards in Wales; Aneurin Bevan, Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff and Vale, Cwm Taf and Hywel Dda. This highlights that Additional Clinical Services (includes HCSW), Estates and Ancillary and Registered Nurses and Midwives are all significantly above the 5% sickness absence target and are also above the 6 largest Health Board average rate. The Health Board has an Absence Management Group in place and is reviewing the key reasons for the increases in sickness absence. One of the biggest challenges is long term sickness absence and work is underway to increase support mechanisms for staff to increase staff resilience and to prevent the initial sickness absence occurring.



2.4 Non Pay

The most significant non-pay issue is within Clinical Supplies and services. Expenditure in this area grew steadily throughout the previous financial year, from a monthly average of £4.6m in Quarter 1 2015/16 to £5.5m in Quarter 4 of that year. The monthly average for 2015/16 was £5.1m compared with the monthly average expenditure for 2016/17 of £5.4m. The clinical consumables spend for 2016/17 is shown in the graph below, along with the expenditure levels of the previous two years. It can be seen there was a significant reduction in expenditure in January, which reflects the reduced level of elective activity during the Christmas period and due to increasing winter pressures, which has risen sharply in the last two months of the financial year.

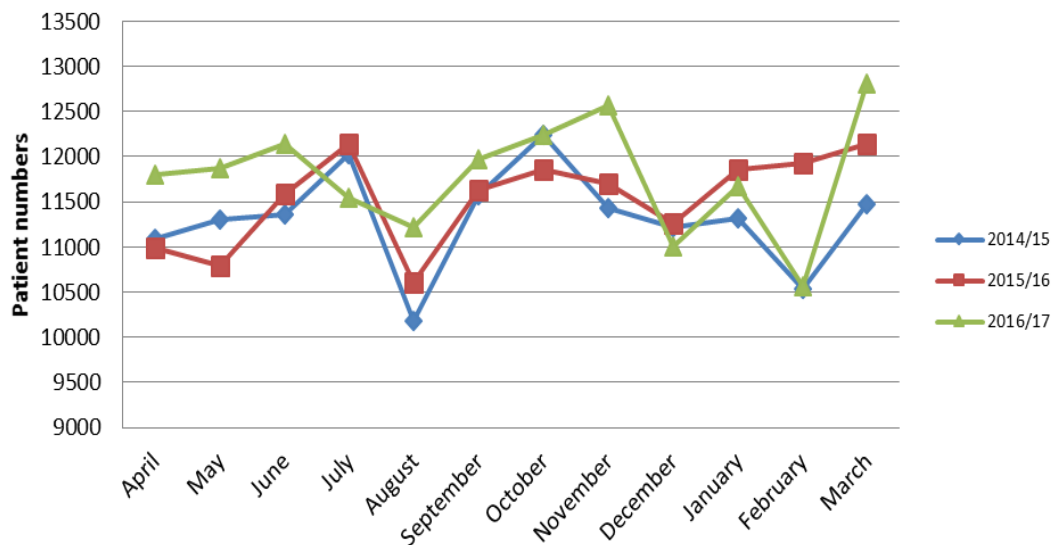
Clinical Consumables Expenditure excluding Drugs



The activity levels within the Health Board have increased and are well above the levels of activity reported in the same period of the previous two years, which will account for some of the clinical consumables cost growth. The inpatient and day-case activity has increased by almost 3000 cases compared with the same period in 2015/16. It should be noted however that the increase in outsourced activity over the same period accounts for around 800 cases of this increase.

The activity levels reported in December reduced significantly due to restricted activity through Christmas period and winter pressures restricting elective activity. However March saw a significant increase in activity as efforts focussed on improving performance. Despite this significant increase in activity, the Health Board did not meet the required Welsh Government RTT targets, which resulted in £5.1m of performance support funding being removed from the Health Board.

Total Inpatient and Daycase Activity



2.5 Financial Performance of Service Delivery Units and Directorates

The Budgetary Framework set out in the Interim Resource Plan provided a roll over budget, whilst IMTP approval was being sought. This resulted in underlying carry forward targets being set for each Service Delivery Unit and Directorate based on the Month 1 to 9 2015/16 financial performance.

The expectation therefore is that all Service Delivery Units and Directorates, maintain the level of financial performance reported in Month1-9 2015/16 and identify and deliver CIPs to meet the 2016/17 savings requirement.

The table below sets out the planned position based on the £20.1m planned deficit, the year-end outturn position for each of the Service Delivery Units and Directorates and the variance against the planned carry forward target set for the year to date. The table highlights that the Delegated Budgets out-turned £16.2m above the planned level of performance.

	Planned Position	Year-end Outturn Overspend	Variance from Planned Position
	£000	£000	£000
Nurse Director	0	-30	-30
Medical Director	986	620	-366
• Med Director	0	-119	-119
• Informatics	986	739	-247
Workforce & OD Director	349	681	332
Director of Strategy	1,356	3,769	2,413
• Planning	816	1,395	579
• Hotel Services	540	2,374	1,834
Chief Operating Officer	45,744	59,656	13,912
• Singleton	6,502	8,818	2,316
• POW	4,940	7,287	2,347
• Morriston	14,854	25,230	10,376
• MH & LD	8,588	10,858	2,270
• PCC	4,027	3,275	-752
• NPT	6,833	4,188	-2,645
Other Corporate Directorates	0	-75	-75
• Board Secretary	0	21	21
• Director of Therapies	0	-74	-74
• Finance	0	-22	-22
Delegated Position	48,435	64,621	16,186
Corporate Plan	-28,335	-25,304	3,031
Health Board Position	20,100	39,317	19,217

2.6 Savings Requirement

The Health Board IMTP established a savings requirement of £45.5m for Year 1 (2016/17). This was made up of:

	Annual Savings Requirement £m	Savings Delivery £m	Shortfall in Delivery £m
Delegated Savings Target	25.0	14.6	10.4
Cost Containment/Avoidance	5.0	5.0	0
Strategic Improvement in Service Expenditure	5.5	0	5.5
Slippage against new Investment funding	10.0	6.2	3.8
Total Savings	45.5	25.8	19.7

The Delegated Savings Target represents a savings requirement of 3.5% on non ring-fenced delegated budgets. The table below sets out the savings requirements by Service Delivery Unit and Directorate, the savings identified to date and the level of savings yet to be identified.

	Savings Target £000	Savings Delivery £000	Savings Shortfall/(Over achievement) £000	Saving Shortfall %
Singleton Delivery Unit	3,576	2,343	1,233	34%
POW Delivery Unit	2,850	1,089	1,761	62%
Morrison Delivery Unit	6,480	3,218	3,262	50%
MH & LD Delivery Unit	3,963	2,621	1,342	34%
P.C. & Community DU	2,717	2,919	(202)	-
NPT Delivery Unit	1,471	1,309	162	11%
Dir. of Therapies & HS	5	5	0	-
Board Secretary	134	0	134	100%
Medical Director	99	99	0	-
Nursing Director	146	151	(5)	-
Planning	451	291	160	35%
Hotel Services	1,126	180	946	84%
Workforce & O.D.	150	0	150	100%
Informatics	364	183	181	50%
Finance	183	183	0	-
Corporate Schemes	1,285	0	1,285	100%
3.5% Savings Target	25,000	14,591	10,409	42%

The table shows that schemes equating to around £14.6m have been delivered, through budget releasing savings and cost reduction measures, this equates to around 58%. It must be highlighted that around £5m of the £14.6m of savings are considered to be non-recurrent in nature.

The cost avoidance measures which include Welsh Risk Pool, Specialist Services, ChC and Prescribing have been delivered in full and this delivery is considered to be recurrent.

The strategic improvement in service expenditure target required that most of the expenditure reductions achieved in Quarter 4 2015/16 would continue into 2016/17. The actual financial performance has not reflected this and it is therefore considered to not be delivered.

The slippage in funding was based on assumptions of further Welsh Government funding allocations to be issued in 2016/17, this resulted in £13.5m of slippage in 2015/16, which supported the breakeven out-turn position. During 2016/17 the level of slippage was significantly reduced. The £6.2m delivered was made up of around £3m slippage and £3.2m technical benefits including the release of historic R&D balances, both of which are non-recurrent and will require an element of re-provision in 2017/18.

3. BALANCE SHEET

3.1 Balance Sheet

	Balance as at 1 st April 2016 (£000)	Balance as at 31 st March 2017 (£000)	Forecast as at 31 st March 2017 (£000)
<u>Non-Current Assets</u>			
Tangible & Intangible Assets	587,965	594,905	594,905
Trade & Other Receivables	74,498	85,318	85,318
Total Non-Current Assets	662,463	680,223	680,223
<u>Current Assets</u>			
Inventories	10,859	10,455	10,455
Trade & Other Receivables	46,834	64,739	64,739
Cash	2,190	725	725
Non-Current Assets Held for Sale	1,274	1,875	1,875
Total Current Assets	61,157	77,794	77,794
<u>Current Liabilities</u>			
Trade & Other Payables	125,389	149,419	149,419
Provisions	21,999	33,777	33,777
Total Current Liabilities	147,388	183,196	183,196
<u>Non-Current Liabilities</u>			
Trade & Other Payables	49,123	46,222	46,222
Provisions	80,832	92,168	92,168
Total Non-Current Liabilities	129,955	138,390	138,390
Total Assets Employed	446,277	436,431	436,431
<u>Financed By Taxpayers Equity</u>			
General Fund	416,106	408,605	408,605
Revaluation Reserve	30,171	27,826	27,826
Total Taxpayers Equity	446,277	436,431	436,431

3.1.1 Balance Sheet Assets and Liabilities

The key movements on the balance sheet between April 2016 and March 2017 relate mainly to movements in trade and other receivables, trade and other payables and provisions.

The movement in trade and other receivables and provisions is linked to movements in the value of clinical negligence and personal injury claims against the Health Board as assessed by Legal and Risk Services. The Health Board is responsible for the first £25,000 of any claim with the remainder of the claim being met by the Welsh Risk Pool, with the balance sheet position reporting a provision for the gross amount of the claim, with a corresponding debtor to Welsh Risk Pool in trade and other receivables. The in-year increase relates primarily to 2 factors. The first relates to 2 claims dating back to 2013 where the assessment of damages has increased as the likely settlement date of next financial year draws closer. The second relates to an increase of £12.151m in both provisions and the corresponding Welsh Risk Pool debtor following the change in the personal injury discount rate which took place on 20th March 2017 where the Lord Chancellor changed the discount rate from +2.5% to -0.75%. This increase is based on a model developed by Welsh Risk pool and agreed with Welsh Government and Wales Audit Office.

The March trade payables figure is higher than at the end of 2015/16 due to a number of factors. These include an increase of £10.760m in capital creditors, an increase of £3.993m in taxation payments due to HMRC as £4m was paid on account at the end of 2015/16, and an increase of £7.485m in unpaid invoices on the accounts payable system at year end due to the timing of the last payment run of 2016/17.

3.2 Cash

The closing March cash balance for the Health Board amounted to £0.725m which is in line with the month end cash target set by the Health Board of between £1m and £2m.

Due to the year end deficit of £39.317m, the Health Board need cash support in 2016/17 to enable it to continue to make payments to staff, HMRC, suppliers and other NHS bodies. Welsh Government provided the Health Board with working capital balances cash support of £5.297m and strategic cash assistance of £24.764m with the remainder of the cash shortfall having to be met through management of supplier payments, which explains the increase in unpaid invoices at year end.

Due to the increase in capital creditors and the fact that capital cash was drawn down in 2015/16 which was utilised for revenue payments, as the 2015/16 capital creditors were higher than forecast, £10.295m of the CRL was not drawn down in cash in 2016/17 which will correct the cash position between revenue and capital going forward.

3.3 Public Sector Payment Policy (PSPP)

The Health Board achieved an overall PSPP compliance level for the 2016/17 financial year of 96.1% of supplier invoices paid within the 30 day target with the in month performance for March being 97.04%. In order to ensure that this target was achieved significant work was undertaken by the Health

Board and NWSSP Accounts Payable to ensure prompt authorisation of invoices and receipting of goods.

4. CAPITAL

- 4.1 The final position for 2016/17 shows a small under spend of £0.094m against the final CRL of £43.845m issued by the Welsh Government on 16th March 2017.
- 4.2 As shown in **Appendix A** there is a net overspend on schemes funded by WG of £403k .As can be seen in the appendix £553k is showing as overspend relating to Llansamlet Laundry representing WG making a contribution towards this discretionary funded scheme. Therefore the true position is a net underspend across all WG schemes of £150k. As discussed with WG this was managed within the Health Boards position and where required has been factored into the Health Boards 17/18 discretionary plan.

5. CONCLUSION & RECOMMENDATIONS

- 5.1 The Health Board is asked to:
- (i) **Note** the Health Board overspend of £39.3m for the financial year 2016/17. This results in a breach of the Health Board's Statutory Duty to deliver a financial breakeven across the the 3 year period of the IMTP ending 31st March 2017.
 - (ii) **Note** the Service Delivery Unit and Directorate performance against the target positions established at the start of 2016/17.
 - (iii) **Note** the Service Delivery Unit and Directorate delivery against the savings requirement for 2016/17.
 - (iv) **Note** the balance sheet movements and forecast
 - (v) **Note** the compliance with the Public Sector Payment Policy
 - (vi) **Note** the current Capital Position of the Health Board.

Appendix A

	Year To Date			Forecast		
Performance against CRL	Plan	Actual	Variance	Plan	F'cast	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
All Wales Capital Programme:						
Schemes:						
HVS 1B Scheme 1 - Main Entrance	2,345	2,421	76	2,345	2,421	76
HVS 1B Scheme 2 - Clinical & Diabetic Accommodation	1,310	1,362	52	1,310	1,362	52
Modernising Pharmacy - Mobile devices	100	99	(1)	100	99	(1)
Morrison - Cardiac Centre	1,800	1,703	(97)	1,800	1,703	(97)
Renal Morrison	484	480	(4)	484	480	(4)
ARCH	1,100	812	(288)	1,100	812	(288)
WEDCIMS	144	143	(1)	144	143	(1)
Singleton Aseptic development	1,796	1,754	(42)	1,796	1,754	(42)
Modernising Pharmacy - Automated Ward Medicine Cabinets	138	143	5	138	142	4
Cath labs - Morrison Hospital	2,101	2,246	145	2,101	2,246	145
Cath labs - Princess of Wales Hospital	1,359	1,333	(26)	1,359	1,333	(26)
NP -ICT - Cyber Security	350	345	(5)	350	345	(5)
DSA (Digital Subtraction Angiography Room)- Morrison	1,310	1,300	(10)	1,310	1,300	(10)
Llansamlet Central Laundry	250	803	553	250	803	553
ETTF - Post Partum Haemorrhage Collaboration	36	36	0	36	36	0
Additional Pharmacy Equipment	514	567	53	514	567	53
IT LAN Communication system infrastructure on Morrison site	1,150	1,119	(31)	1,150	1,119	(31)
Replacement of Catheterisation Lab A	2,424	2,321	(103)	2,424	2,321	(103)
Linear Accelerator A	1,054	946	(108)	1,054	946	(108)
Endoscopy - PoW & Singleton	946	896	(50)	946	896	(50)
Wireless Network Infrastructure - Singleton & Comm Hospital Sites	1,500	1,504	4	1,500	1,504	4
Environmental Modernisations and Estate Infrastructure Morrison, Singleton & PoW	1,500	1,645	145	1,500	1,645	145
Additional Capital Allocation - December	1,640	1,640	0	1,640	1,640	0
Additional Slippage Capital Allocation - January	2,000	2,000	0	2,000	2,000	0
LIMS (Interface & Peripheral costs)	30	30	0	30	30	0
Demolitions Morrison	1,826	1,953	127	1,826	1,953	127

DSA reallocation - two camera stacks at Morriston & Imaging Replacement - Digital mobile x-ray machine PoW & Imaging Replacement - Mobile Ultrasound machine PoW	325	325	0	325	325	0
Modernising Pharmacy - Cold Store	31	31	0	31	31	0
Modernising Pharmacy - Portable Particle Counter	11	11	0	11	11	0
Intermediate Care Funding	55	55	0	55	55	0
Renal IT system	45	57	12	45	57	12
Pharmacy - Mobile Devices (Transfer from C&V UHB)	6	6	0	6	6	0
EMRTS - North Wales	360	358	(2)	360	358	(2)
Sub Total	30,040	30,443	403	30,040	30,443	403
Discretionary:						
I.T.	3,296	3,065	(231)	3,296	3,065	(231)
Equipment	2,733	3,209	476	2,733	3,209	476
Statutory Compliance	0	0	0	0	0	0
Estates	8,213	7,523	(690)	8,213	7,523	(690)
Other	0	0	0			0
Sub Total	14,242	13,797	(445)	14,242	13,797	(445)
Total Expenditure	44,282	44,240	(42)	44,282	44,240	(42)
Less:						
Donations:						
Donated	407	407	0	407	407	0
Sub Total	407	407	0	407	407	0
Asset Disposals:						
SMTL Equipment	23	23	0	23	23	0
Equipment	7	7	0	7	7	0
Equipment		52	52		52	52
Sub Total	30	82	52	30	82	52
CHARGE AGAINST CRL	43,845	43,751	(94)	43,845	43,751	(94)
PERFORMANCE AGAINST CRL (Under)/Over		(94)			(94)	

