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Bwrdd Iechyd Prifysgol
Abertawe Bro Morgannwg
University Health Board



Meeting Date	31st May 2018	Agenda Item	3i(a).
Report Title	Financial Report – Month 12		
Report Author	Samantha Lewis, Assistant Director of Finance		
Report Sponsor	Lynne Hamilton, Director of Finance		
Presented by	Lynne Hamilton, Director of Finance		
Freedom of Information	Open		
Purpose of the Report	The report advises the Board of the year-end financial outturn for 2017/18.		
Key Issues	<p>The report invites the Board to note the detailed analysis of the financial position for 2017/18.</p> <p>The report also invites the Board to note the capital budget breakeven year-end forecast position, cash position and key balance sheet movements.</p>		
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance
			✓
Recommendations	<p>Members are asked to consider and comment upon the Board's Period 12 financial performance, in particular:</p> <ul style="list-style-type: none"> i. the revenue outturn position (in-month overspend of £4.987m and £32.418 cumulatively), the underlying revenue forecast position and the revenue risk profile; ii. the capital outturn position; iii. balance sheet movements; iv. cash position; and v. performance against the Public Sector Payment Policy compliance. 		

FINANCIAL REPORT – MONTH 12

1. INTRODUCTION

The report advises the Board that the year-end financial outturn for 2017/18 was an overspend of £32.418m. This position is considered draft as subject to Audit review.

The report invites the Board to note the detailed analysis of the financial position for 2017/18.

The report also invites the Board to note the capital budget breakeven year-end 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.**

2015/16	Approved Plan
2016/17	Plan Not Approved
2017/18	Plan Not Approved

The Health Board failed to achieve this Statutory Duty.

- **To achieve financial breakeven over a rolling three year period, the second of which commenced on 1st April 2015 and will end on 31st March 2018.**

2015/16	Breakeven Delivered
2016/17	£39.3m Overspend
2017/18	£32.4m Overspend

The Health Board failed to achieve this Statutory Duty.

2.2 Summary of Performance against Key Financial Targets

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £000
Reported year to date financial position – deficit/(surplus)	32,418
Capital KPIs: To ensure that costs do not exceed the capital resource limit set by Welsh Government	Value £000
Reported in month financial position – deficit/(surplus)	(41)

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 %
Cumulative year to date % of invoices paid within 30 days (by number)	94.0

3. FINANCIAL IMPLICATIONS

3.1 Revenue Position

3.1.1 Summary Revenue Position

The Health Board has reported an in-month overspend of £4.987m in Period 12(March). This represents a deterioration in the in-month performance from that reported in recent months. This deterioration reflects the impact of the claw back of WG performance monies due to the non-delivery of the 36 week RTT agreed target.

The year-end outturn position is an overspend of £32.418m against a forecast position of £30m. The Health Board expenditure to date is therefore £2.418m above the forecast position, due to a higher than anticipated claw back of WG performance monies. **Slide 1**

3.1.2 Savings Requirement

The Health Board Annual Operating Plan established a savings requirement of £25m for 2017/18. **Slide 4.**

The Health Board identified £19.3m of schemes rated as Green and Amber at the end of March and had a further £6.3m schemes rated as Red. The Health Board delivered £16.7m of savings against these planned schemes in 2017/18.

The Health Board is committed to delivering the agreed service and capacity redesign schemes that have not yet been delivered early in the 2018/19 financial year. These make up around 50% of the Red Schemes. These schemes are reflected in the 2018/19 baseline financial plan.

3.2 Capital

The final position for 2017/18 shows a small under spend of £0.042m against a CRL of £40.093m issued by the Welsh Government on 29th March 2018.

There is a net underspend compared to plan on schemes funded by WG of £0.161m. This was managed within the Health Boards position in year and where required will be factored into the Health Boards 18/19 discretionary plan.

3.3 Balance Sheet

The overall movement on the on the balance sheet between April 2017 and March 2018 saw an increase of £11.577m in net assets employed (2.65%). Total assets increased by £68.315m with total liabilities increasing by £56.738m.

The main increase in assets was in trade receivables of £59.942m which was primarily due to the increase in the Welsh Risk Pool debtor with the Welsh Risk Pool reimbursing all clinical negligence costs in excess of £25,000. There was also an increase of £5.452m in tangible and intangible fixed assets.

The increase in liabilities was primarily due to the increase in provisions, which amounted to £58.854m mainly due to the increase in clinical negligence provisions as a result of the change in the personal injury discount factor announced by the Lord Chancellor in February 2017 which amended the discount rate from 2.5% to -0.75%.

The remainder of the movement was due to a reduction in capital trade payables.

3.4 Cash

The closing March cash balance amounted to £0.376m which was in line with the plan to hold year-end cash balances of around £0.5m. The cash balance was achieved following receipt of £11.221m cash only funding for movement in working capital balances and £30.528m in strategic cash support of which £4.4m was due to the claw back of RTT cash allocations which had been drawn down from Welsh Government and spent prior to the announcement of the RTT claw back in early April.

The total strategic cash assistance now received by ABMU Health Board amounts to £55.292m as at the end of March 2018. Repayment of this cash assistance will be required in accordance with the Health Board's future Integrated Medium Term Plan submissions.

3.5 Public Sector Payment Policy (PSPP)

During March the health board achieved the 95% PSPP in month target with 95.21% of supplier invoices paid within the 30 day target. However, whilst the in-month performance resulted in the cumulative compliance figure increasing from 93.9% at the end February to 94.0% at the end of March it was not sufficient to meet the cumulative target of 95% compliance for the full year, due to the issues experience earlier on in the financial year with the delays in processing nurse bank invoices.

4 RECOMMENDATIONS

The Board is invited to consider and comment upon the Board's Period 12 financial performance, in particular:

- vi. the revenue outturn position (in-month overspend of £4.987m and £32.418 cumulatively), the underlying revenue forecast position and the revenue risk profile;
- vii. the capital outturn position;
- viii. balance sheet movements;
- ix. cash position; and
- x. performance against the Public Sector Payment Policy compliance.

Governance and Assurance					
Link to corporate objectives <i>(please ✓)</i>	Promoting and enabling healthier communities	Delivering excellent patient outcomes, experience and access	Demonstrating value and sustainability	Securing a fully engaged skilled workforce	Embedding effective governance and partnerships
					✓
Quality, Safety and Patient Experience					
Financial Governance supports quality, safety and patient experience.					
Financial Implications					
No Implications for the Board to be aware of.					
Legal Implications (including equality and diversity assessment)					
No Implications for the Board to be aware of.					
Staffing Implications					
No Implications for the Board to be aware of.					
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)					
No implications for the Board to be aware of.					
Report History	Board receives an update on the financial position at every meeting.				
Appendices	Appendix 1 – Period 12 Finance Report Appendix 2 – Annex Pack				



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ABMU Finance Dept. Board Report

Management Accounts
Period 12 Data (March 2018)

Lynne Hamilton

Section 1: Executive Summary: Period 12

In Month

£ 4,987,258 overspent

Type	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-22,777	-27,138	-4,362	19.15%
Pay	57,765	56,489	-1,276	2.21%
Non Pay	87,177	97,802	10,625	12.19%
Total	122,165	127,152	4,987	4.08%

Cumulative

£ 32,417,909 overspent

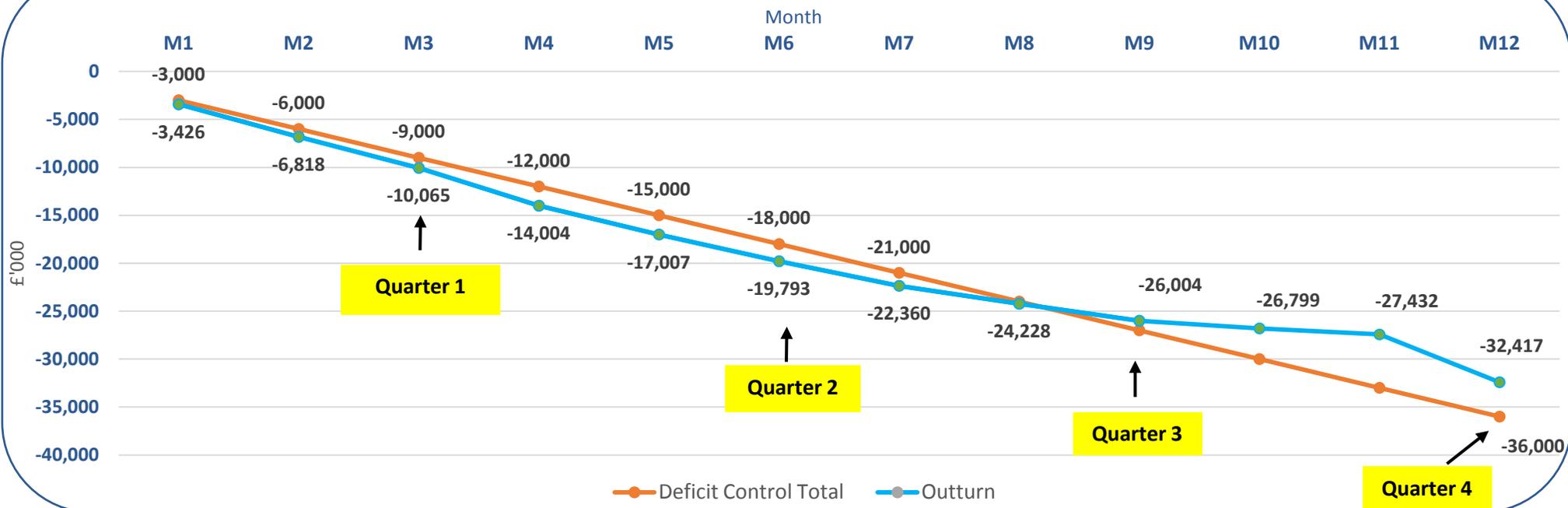
Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance
Income	-239,223	-247,048	-7,824	3.27%
Pay	653,221	641,061	-12,160	1.86%
Non Pay	681,526	733,928	52,402	7.69%
Total	1,095,524	1,127,942	32,418	2.96%

Forecast

£30,000,000 overspent

Type	Full Year Budget (£'000)	Full Year Forecast (£'000)	Forecast Variance (£'000)	% Variance
Income	-235,864	-239,293	-3,428	1.45%
Pay	647,435	636,344	-11,091	-1.71%
Non Pay	647,679	692,198	44,519	6.87%
Total	1,059,249	1,089,249	30,000	2.83%

Full Year Financial Performance and Projection



Executive Summary

Targets

Savings

Workforce

Cash

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) – Red	4,988	↑
Reported year to date financial position – deficit/(surplus) – Forecast Red	32,418	↓

Capital		
Capital KPIs: To ensure that costs do not exceed the Capital resource limit set by Welsh Government	Value £000	Trend
Current reported year end forecast – deficit/(surplus) – Forecast Green	(41)	↑

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 Red	94.0	↑

Revenue Narrative

1. The Health Board draft year-end position for 2017/18 is an overspend of £32.418m.
2. The year end forecast of £30m included an anticipated claw back of RTT performance funding of £4.8m. However the actual claw back was £7.4m, which resulted in a year-end overspend of £32.418m. The year end position without this higher than expected RTT claw back would have been overspend of £29.818m

Capital Narrative

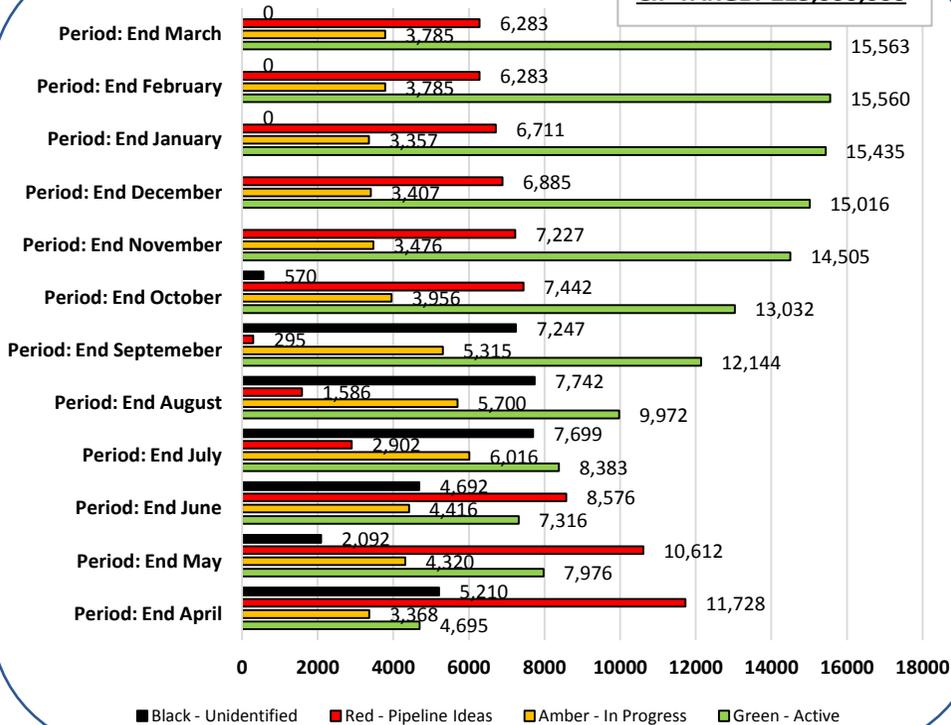
1. The final position for 2017/18 shows a small under spend of £0.041m against the final CRL of £40.093m issued by the Welsh Government on 29th March 2018.
2. There is a net underspend compared to plan on schemes funded by WG of £161k . This was managed within the Health Boards position and where required will be factored into the Health Boards 18/19 discretionary plan.

PSPP Narrative

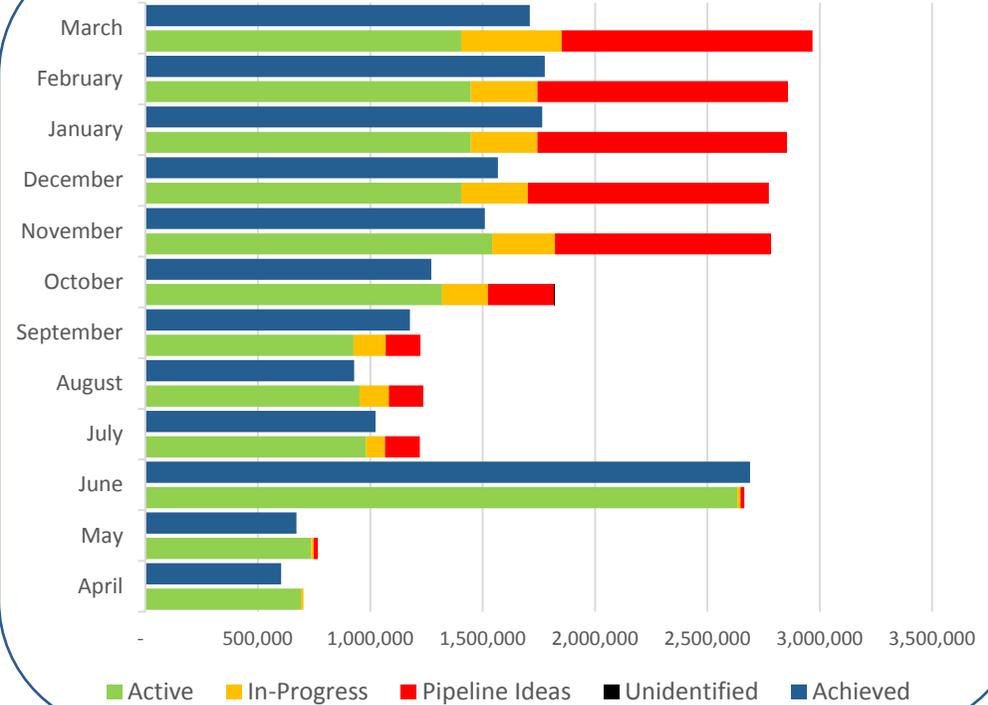
1. The number of invoices paid within 30 days for 2017/18 was below the 95% target, although the cumulative compliance increased from 93.9% at the end of February to 94% as the end of March.
2. The failure to achieve the compliance target was primarily due to delays earlier Fin the year in the processing of nurse bank invoices. Additional resources were put in to this area which improved the PSPP performance but this came too late to increase the compliance to 95% for the full year .

Trend over time

CIP TARGET £25,000,000



Current Profile of Savings



Narrative

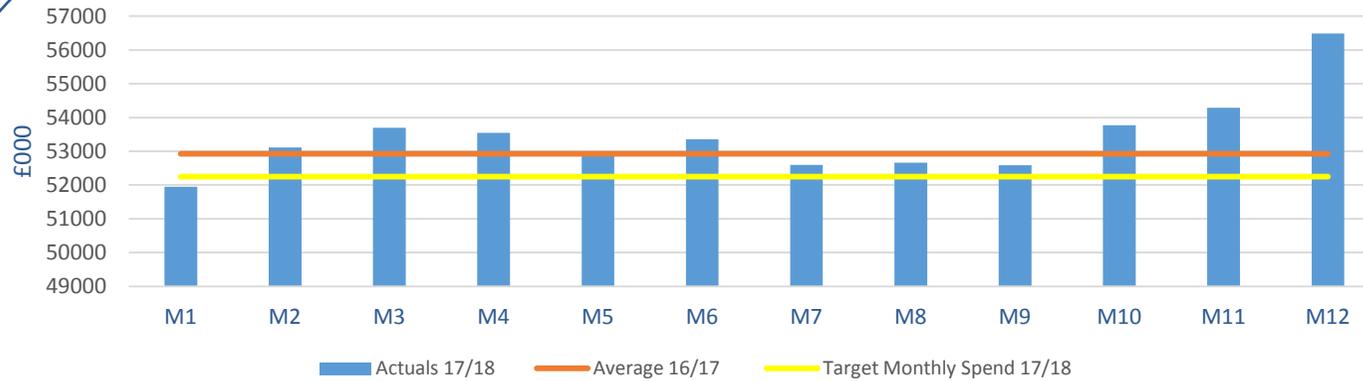
- At this late stage in the year there is very little movement on savings schemes identified

Narrative

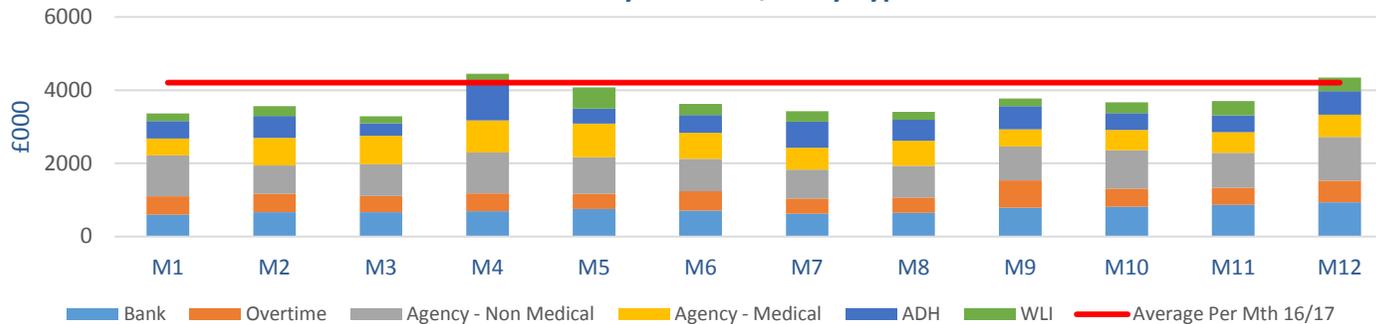
- The increased level of savings delivery reported in January and February has been sustained.
- The green and amber rated schemes have had a high delivery rate.
- The delivery failure of the Red schemes has been mitigated by other opportunities and actions, many of which are non-recurrent and it is essential that the Red schemes continue to be driven to ensure full delivery from April 2018.

Section 4: Pay

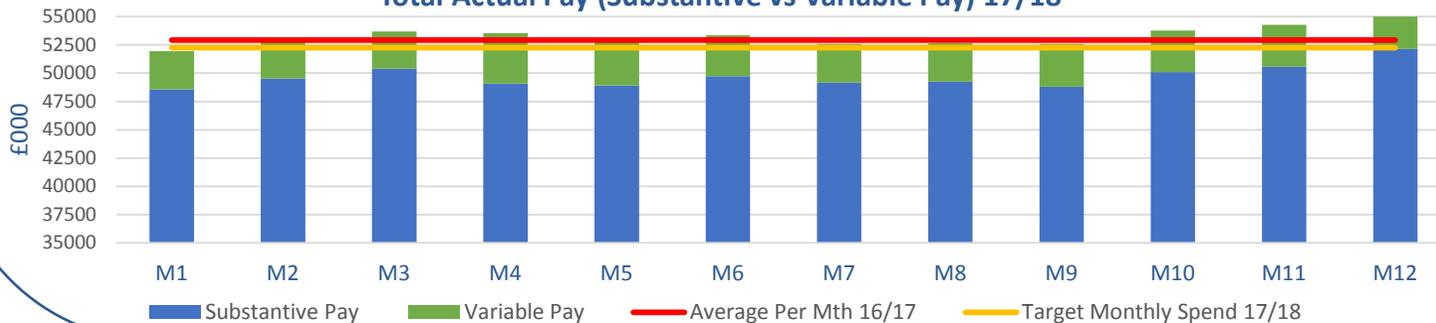
Actual Pay Expenditure 17/18 and Average 16/17



Variable Pay Trend 17/18 By Type



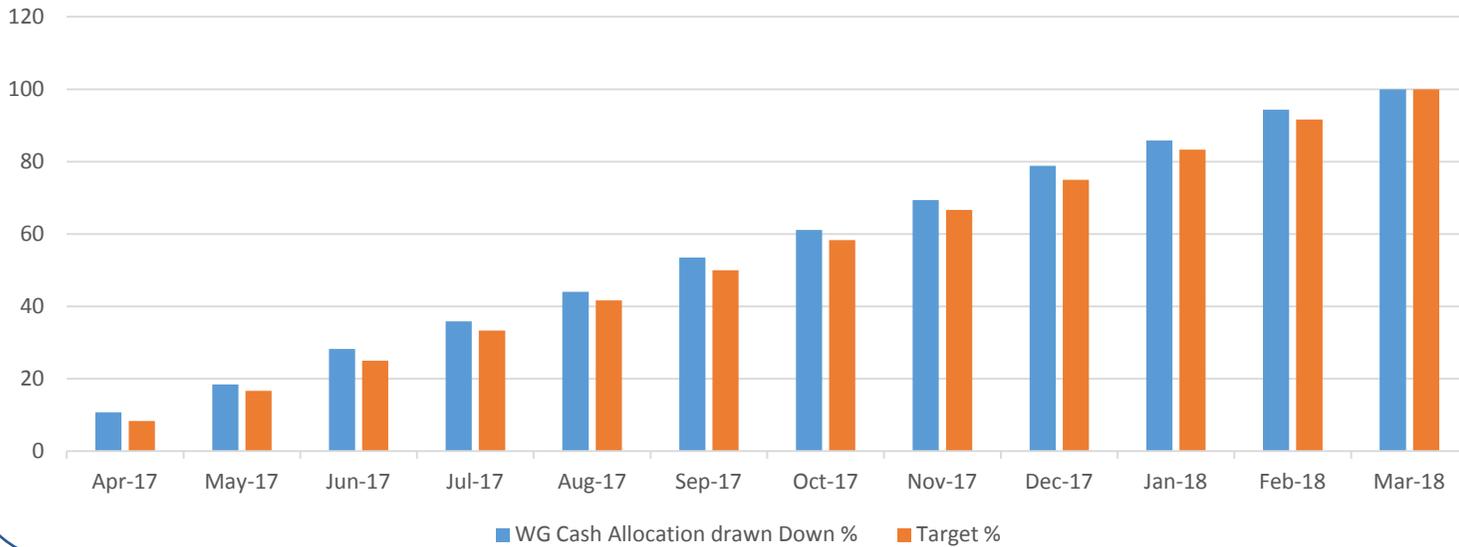
Total Actual Pay (Substantive vs Variable Pay) 17/18



- The pay expenditure has been higher in the final quarter of the financial year. This reflects the increased cost impact of RTT performance and winter pressures.
- In addition M11 and M12 also include bank holiday enhancement payments.
- The total variable pay spend in 2017/18 has been lower than in 2016/17 by £4.9m. The most significant reduction has been in agency spend within medical, admin and clerical and additional clinical support staff groups.

Section 5: Cash

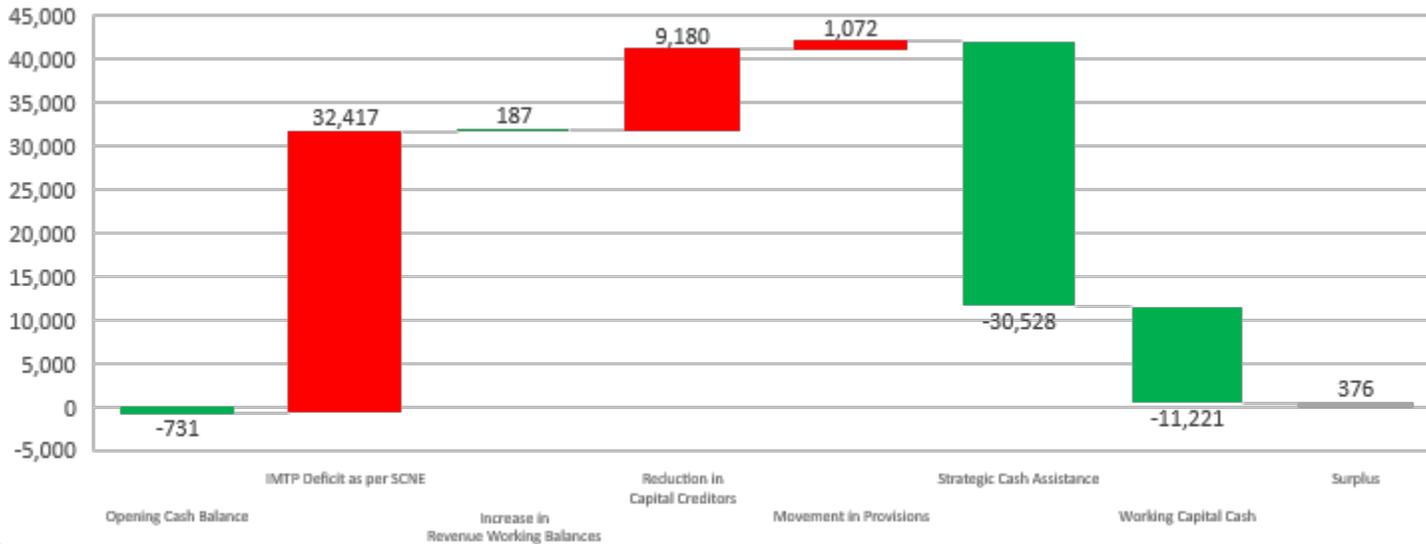
Welsh Government Draw Down



Narrative

- The heath board achieved a year end cash balance of £0.376m. This was achieved following receipt of £11.221m of cash to support movement in working balances and £30.528m of strategic cash assistance from Welsh Government.

Analysis of Forecast Cash Deficit





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ABMU Finance Dept. Board Report – Finance Annexes

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2017/18 Outturn Performance

	Annual Overdraft Target	2017/18 Outturn Position	Performance Against Overdraft Target
	£'000	£'000	£'000
Service Delivery Units			
Singleton	2,554	6,616	4,062
POW	3,059	2,145	914
Morrison	8,706	11,344	2,638
Mental Health & LD	-	2,283	2,283
PC & Community	50	207	257
NPT Unit	43	686	729
Directorates			
Nurse Director	45	212	257
Medical Director	-	320	320
Workforce & OD	433	95	528
Informatics	881	222	659
Finance	-	77	77
Board Secretary	95	29	124
Director of Therapies	4	36	32
Director of Strategy	3,298	2,788	510
Corporate I&E	-	274	274
Delegated Budget Position	19,160	19,598	438
Deficit Plan	16,840	12,819	4,021
Health Board Position	36,000	32,417	3,583

- Two of the Service Delivery Unit are running above their agreed overspending target; Morrison and Singleton.
- The corporate I&E overspend reflects lower than planned income, particularly in relation to RTA recovery.

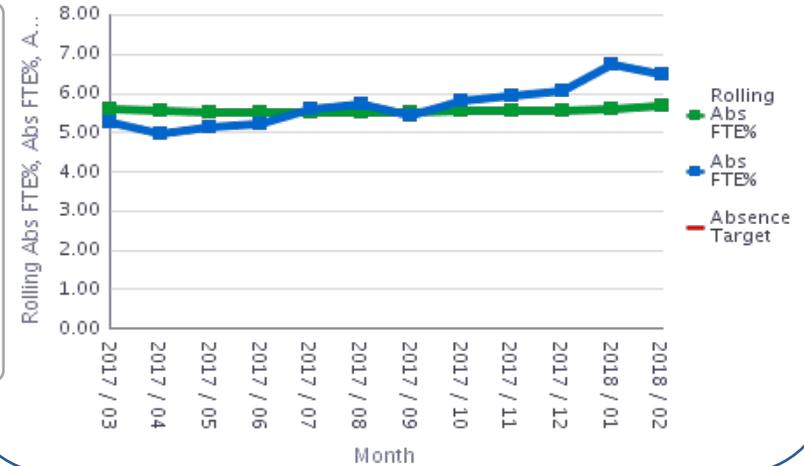
Summary (Feb'18 Data)

Source : ESR / BI Dashboard

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Rolling 12 Mths
Cost Absence £000	2,455	2,504	2,337	2,637	2,643	2,787	3,042	2,624	30,226
% Absence Average	5.68%	5.72%	5.51%	5.87%	6.01%	6.15%	6.75%	6.47%	5.69%
No. Staff Absent Per Day	917	933	903	966	992	1,009	1,106	1,074	938

Rolling Absence

Source : ESR/Portal



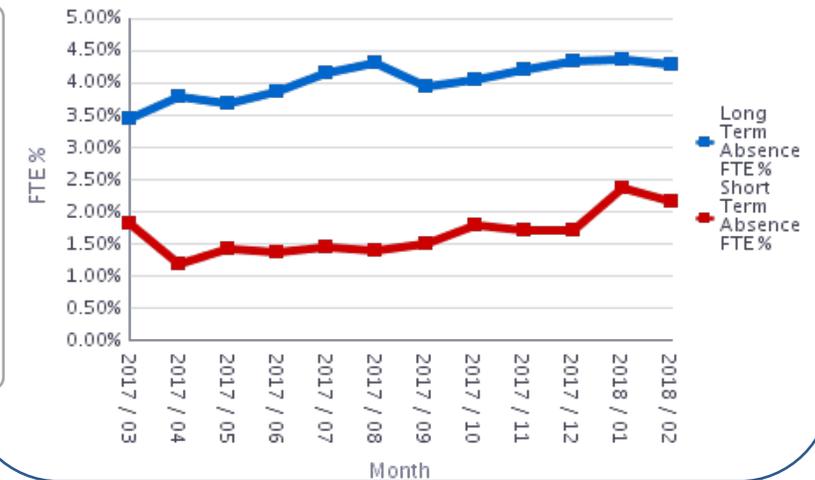
Cumulative % & £ Per Staff Group

Source : ESR/Portal

	Absence % (FTE)	Absence Estimated Cost (£)
Add Prof Scientific and Technic	3.86%	876,860
Additional Clinical Services	7.82%	5,620,335
Administrative and Clerical	5.02%	4,059,538
Allied Health Professionals	3.20%	1,471,509
Estates and Ancillary	7.89%	2,758,578
Healthcare Scientists	3.30%	545,800
Medical and Dental	2.28%	2,918,110
Nursing and Midwifery Registered	5.90%	11,974,836
Students	0.00%	-
Grand Total	5.69%	30,225,567

Long Term and Short Term Trends

Source : ESR/Portal



Category	Balance at 1 st April 2017 (£000)	Balance at 28th February 2018 (£000)	Movement (£000)	Analysis
Tangible & Intangible Assets	596,780	606,232	5,452	Movement due to asset additions less forecast depreciation.
Trade & Other Receivables	150,057	209,999	59,942	Increase in Welsh Risk Pool debtor linked to the increase in provisions following clinical negligence quantum estimates being updated for the change in the discount rate from 2.5% to -0.75% announced by the Lord Chancellor. All cases now updated
Inventories	10,455	9,725	(730)	Stocks broadly in line 2016/17 year end figures with the increase linked to increases in blood products stocks.
Cash	725	376	349	January cash balance was high at £11.124m due to higher than forecast reimbursements from Welsh Risk Pool of £5.073m and lower than forecast Accounts Payable payments of £2.741m. The cash balance has reduced in February as a result of a planned reduction in the cash drawn down.
Total Assets	758,017	826,332	68,315	
Trade & Other Payables	195,641	193,796	(1,845)	Reduction in capital creditors and increase in revenue creditors including FNC accrual
Provisions	125,945	184,528	58,584	Increase in provisions following clinical negligence quantum estimates being updated for the change in the discount rate from 2.5% to -0.75% announced by the Lord Chancellor. All cases now updated.
Total Liabilities	321,586	378,324	56,738	
Total Assets Employed	436,431	448,008	11,577	
Financed By				
General Fund	408,605	399,366	(9,239)	Movement is capital cash drawn down offset by I&E overspend.
Revaluation Reserve	27,826	48,642	20,816	Impact of the 5 yearly DV Revaluation of the NHS Estate
Total Taxpayers Equity	436,431	448,008	11,577	

	Actual Spend Compared to Plan			Actual Spend Compared to Allocations		
	Plan £'000	Actual £'000	Variance £'000	Plan £'000	F'cast £'000	Variance £'000
All Wales Capital Programme:						
Schemes:						
Morrison - HVS Phase 1B (S1) Fees & Build Main Scheme	217	189	(28)	60	189	129
Morrison - Renal unit refurbishment	4,564	4,479	(85)	4,536	4,479	(57)
National Programme - Linear Accelerator A	3,423	3,427	4	3,421	3,427	6
Land at Morrison - Plots B&C	713	704	(9)	713	704	(9)
Wireless Network Singleton Hosp & Community hospital sites	1,338	1,336	(2)	1,342	1,336	(6)
Endoscopy - PoW and Singleton	556	572	16	400	572	172
Environmental & Estate Infrastructure - Morrison, Singleton & PoW	5,973	5,938	(35)	6,268	5,938	(330)
Demolitions	3,081	3,118	37	3,284	3,118	(166)
Singleton Aseptic development	679	718	39	600	718	118
Cath labs - Princess of Wales Hospital	300	323	23	300	323	23
Renal IM&T	53	4	(49)	65	4	(61)
Cath Lab B (Morrison)	81	33	(48)	81	33	(48)
Cath Lab A (Morrison)	83	93	10	76	93	17
Dyfed Road 2017-18	316	317	1	323	317	(6)
National Clinical Systems	490	490	0	490	490	0
Replacement of Digital Radiography Rooms	1,560	1,524	(36)	1,560	1,524	(36)
Cyber Security	126	118	(8)	126	118	(8)
Invest to Save – Prescribing Clerks & Medicine Recycling	12	12	0	12	12	0
Imaging equipment – DR Rooms	100	99	(1)	100	99	(1)
Additional Medical Equipment	2,600	2,600	0	2,600	2,600	0
Ophthalmic Microscopes	128	128	0	128	128	0
Additional Capital Funding	159	159	0	159	159	0
Further Additional Capital Funding	600	600	0	600	600	0
Penclawdd & Murton Primary Care Scheme	17	27	10	17	27	10
Sub Total	27,169	27,008	(161)	27,261	27,008	(253)
Discretionary:						
I.T.	3,991	3,991	0	3,991	4,190	199
Equipment	2,957	3,177	220	2,957	3,143	186
Estates	8,581	8,488	(93)	8,489	8,323	(166)
Sub Total	15,529	15,656	127	15,437	15,656	219
Total Expenditure	42,698	42,664	(34)	42,698	42,664	(34)
Donations:						
Donated Assets	694	694	0	694	694	0
Asset Disposals:						
Cefn Coed Land	1,911	1,911	0	1,911	1,911	0
Equipment	0	7	7	0	7	7
CHARGE AGAINST CRL	40,093	40,052	(41)	40,093	40,052	(41)
PERFORMANCE AGAINST CRL (Under)/Over			(41)			(41)

For schemes funded by WG there was a net underspend compared to plan of £161k. This was offset by additional discretionary spend to bring the position to a £41k underspend against a CRL of £40,093k.

Allocations from WG and planned spend differ to reflect the fact that some schemes have under/over spent against allocations in prior years.

The underspends to plan in 17/18 for WG schemes will be factored into the Health Boards 18/19 discretionary plan as part of the allocations for b/f schemes