

Bundle Finance Committee 13 March 2020

- 2.1 Finance Report Month M11
 - Presenter: Huw Thomas*
 - 2 1 Finance Report Month 11 SBAR.docx
 - 2 1 Appendix 1 Month 11 Finance Report 2019-20.docx

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	13 March 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Report – Month 11 2019/20
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Mark Bowling, Assistant Director of Finance

**Pwrpas yr Adroddiad (dewiswch fel yn addas)
Purpose of the Report (select as appropriate)**

Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

The purpose of the report, attached at Appendix 1, is to outline Hywel Dda University Health Board's (HDdUHB's) financial position to date against the Annual Plan and Control Total requirement and assess the key financial projections and risks for the financial year 2019/20.

Cefndir / Background

HDdUHB's confirmed Control Total is £25m. The forecast position is £35m, given the cumulative financial position and on-going operational pressures. This position was ratified by the Board at its meeting held 28th November 2019.

This follows the drawback of the £10m additional Welsh Government (WG) funding received in year, as this was predicated on delivery of the required £15m Control Total.

Month 11 position

- Month 11 position is £0.2m (Month 10, £0.7m); operational variance to plan (£9.1m Year To Date - YTD).
- Month 11 YTD variance to breakeven is £32.2m.
- Significant adverse variances against plan in month are partly offset by a reduction in HDdUHB share of the Welsh Risk Pool (WRP) and favourable gains elsewhere:
 - Medicines Management Primary Care Prescribing £0.7m;
 - Vacancies and sickness covered by premium cost staff and drugs in Unscheduled Care - impact of £0.2m;
 - Outsourcing costs due to vacancies, winter pressures and non-delivery of savings in Radiology - £0.2m;
 - Unidentified savings profile - impact of £0.9m.

Directorate Projections

- Operational forecasts in excess of budget of £2.7m, plus recognition of £0.4m share of WRP.
- In order to deliver the end-of-year projection, Directorates have been issued with a £2.8m Control Total requirement; all action plans have now undergone a validation review to assess the level of assurance and are included in projections.
- Projection including savings risk is an adverse variance to plan of £10.0m; this would equate to a year-end deficit position of £35.0m, which is in line with the current forecast.
- After delivering pipeline schemes there are discussions on-going with WG regarding the further costs associated with the TB outbreak beyond the confirmed funding of £0.8m.

Savings Summary

- £16.2m delivery to date against £25.2m total savings requirement. The pace of savings delivery requires continued acceleration in future months.
- £18.3m of Assured schemes; £nil of Marginal Risk schemes.
- Savings gap of £6.9m comprises £4.5m unidentified schemes and £2.4m slippage on identified schemes.

Conclusions

Key areas of concern:

- Savings requirement plan has not yet been fully identified;
- Grip and Control has been highlighted as a key area of concern, especially in workforce management;
- Significant pressures on drugs are manifesting in both Secondary and Primary Care.

Asesiad / Assessment

Summary of Key Financial Targets

HDdUHB's key targets are as follows:

- Revenue: to contain the overspend within HDdUHB's planned deficit;
- Savings: to deliver savings plans to enable the revenue budget to be achieved;
- Capital: to contain expenditure within the agreed limit;
- Public Sector Payment Policy (PSPP): to pay 95% of Non-NHS invoices within 30 days of receipt of a valid invoice;
- Cash: While there is no prescribed limit for cash held at the end of the month, WG encourages this to be minimised and as a rule of thumb, 5% of monthly expenditure is applied. For HDdUHB, this equates to approximately £4.0m.

Key target		Annual limit	YTD limit	Actual delivery	Forecast Risk
Revenue	£'m	25.0	23.1	32.2	High
Savings	£'m	25.2	18.2	16.2	High
Capital	£'m	40.8	30.9	30.9	Medium
Non-NHS PSPP	%	95.0	95.0	95.9	Low
Period end cash	£'m	4.0	4.0	3.3	Medium

Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the financial position for Month 11.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.5 Provide assurance on financial performance and delivery against Health Board financial plans and objectives and, on financial control, giving early warning on potential performance issues and making recommendations for action to continuously improve the financial position of the organisation, focusing in detail on specific issues where financial performance is showing deterioration or there are areas of concern.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	735 (score 16) Ability to deliver the Financial Plan for 2019/20 646 (score 12) Ability to achieve financial sustainability over medium term
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	5. Timely Care 7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Improve Population Health through prevention and early intervention

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Healthcare FNC – Funded Nursing Care FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services MHLDD – Mental Health & Learning Disabilities NICE – National Institute for Health and Care Excellence OOH – Out of Hours PPH – Prince Philip Hospital

	PSPP – Public Sector Payment Policy RTT – Referral to Treatment Time T&O – Trauma & Orthopaedics WG – Welsh Government WGH – Withybush General Hospital WRP – Welsh Risk Pool WHSSC – Welsh Health Specialised Services Committee YTD – Year to date
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Management Team Executive Team

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial implications are inherent within the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	The impact on patient care is assessed within the savings schemes.
Gweithlu: Workforce:	The report considers the financial implications of our workforce.
Risg: Risk:	Financial risks are detailed in the report.
Cyfreithiol: Legal:	HDdUHB has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
Enw Da: Reputational:	Adverse variance against HDdUHB's financial plan will affect its reputation with Welsh Government, the Wales Audit Office, and with external stakeholders
Gyfrinachedd: Privacy:	Not applicable
Cydraddoldeb: Equality:	Not applicable

Executive Summary

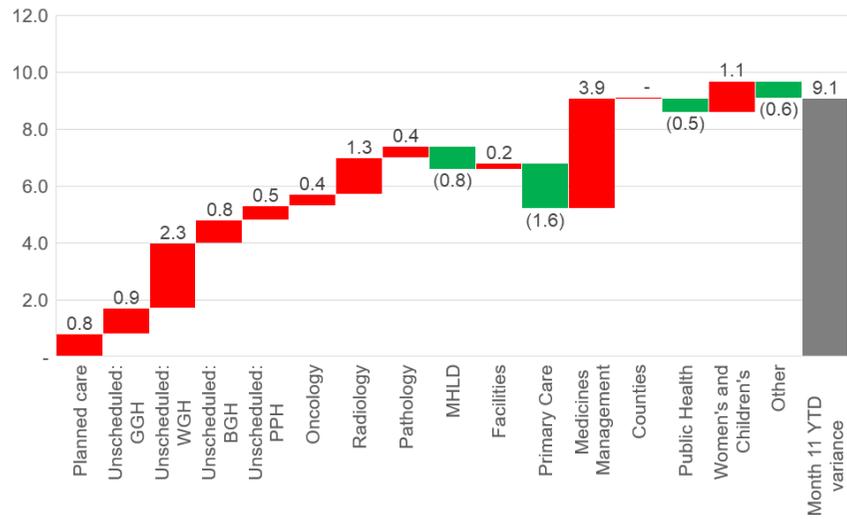
	<p style="text-align: center;">Hywel Dda University Health Board's (HDdUHB's) confirmed Control Total is £25m.</p> <p style="text-align: center;">Follows drawback of £10m additional Welsh Government (WG) funding, which was predicated on delivery of a £15m deficit.</p> <p style="text-align: center;">Forecast position - £35m, given on-going operational pressures - was ratified by the Board at its meeting held November 2019.</p>
Revenue	<ul style="list-style-type: none"> • Month 11 Year To Date (YTD) variance to breakeven is £32.2m. Month 11 variance to breakeven is £2.0m. • Month 11 position is £0.2m (Month 10, £0.7m) operational variance to plan (£9.1m YTD). • Significant adverse variances against plan in month, partly offset by reduction in share of Welsh Risk Pool (WRP) (£0.5m) and favourable gains elsewhere: <ul style="list-style-type: none"> ○ Medicines Management Primary Care Prescribing £0.7m; ○ Vacancies and sickness covered by premium cost staff and drugs in Unscheduled Care - impact of £0.2m; ○ Outsourcing costs due to vacancies, winter pressures and non-delivery of savings in Radiology - £0.2m; ○ Unidentified savings profile - impact of £0.9m.
Projection	<ul style="list-style-type: none"> • Operational forecasts in excess of budget of £2.7m, plus recognition of £0.4m share of WRP. • In order to deliver the end-of-year projection, Directorates have been issued with a £2.8m Control Total requirement; all action plans have now undergone a validation review to assess the level of assurance and are included in projections. • Projection including savings risk is an adverse variance to plan of £10.0m; this would equate to a year-end deficit position of £35.0m, which is in line with the current forecast. • After delivering pipeline schemes there are discussions on-going with WG around the further costs associated with the TB outbreak, beyond the confirmed funding of £0.8m.
Savings	<ul style="list-style-type: none"> • £16.2m delivery to date against £25.2m total savings requirement. The pace of savings delivery requires continued acceleration in future months. • £18.3m of Assured schemes; £nil Marginal Risk schemes. • Savings gap of £6.9m comprises £4.5m unidentified schemes and £2.4m slippage on identified schemes.

Executive Summary

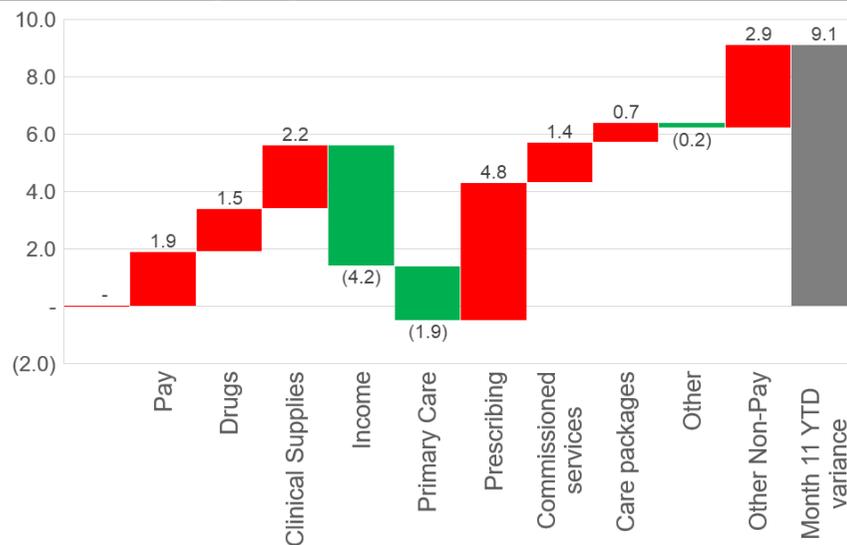
Conclusions	<p>Key areas of concern:</p> <ul style="list-style-type: none"> • Savings requirement plan has not yet been fully identified; • Grip and Control has been highlighted as a key area of concern, especially in workforce management; • Significant pressures on drugs are manifesting in both Secondary and Primary Care. 																																				
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Revenue Summary

YTD Variance by Directorate



YTD Variance by Subjective



Assurance

- The Turnaround and Holding to Account (HTA) process provides a high level of scrutiny and challenge to Directorates in terms of adherence to assigned budget and delivery and identification of robust savings schemes.

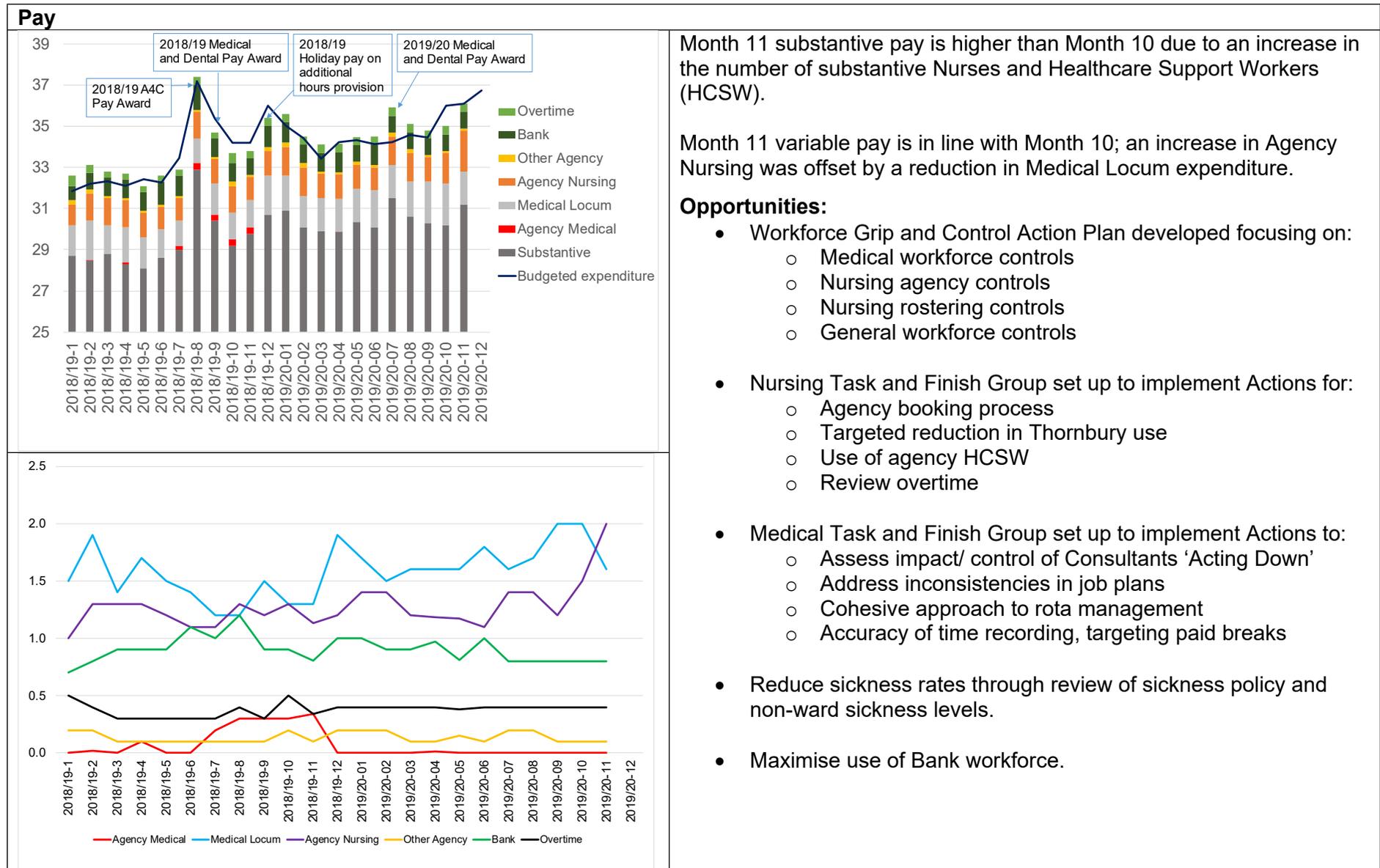
Concerns

- Of the YTD deficit against plan, key pressures are manifesting:
 - £4.5m Unscheduled Care;
 - £3.9m Medicines Management;
 - £1.3m Radiology;
 - £1.1m Women and Children;
 - £0.8m Planned Care.

Next Steps

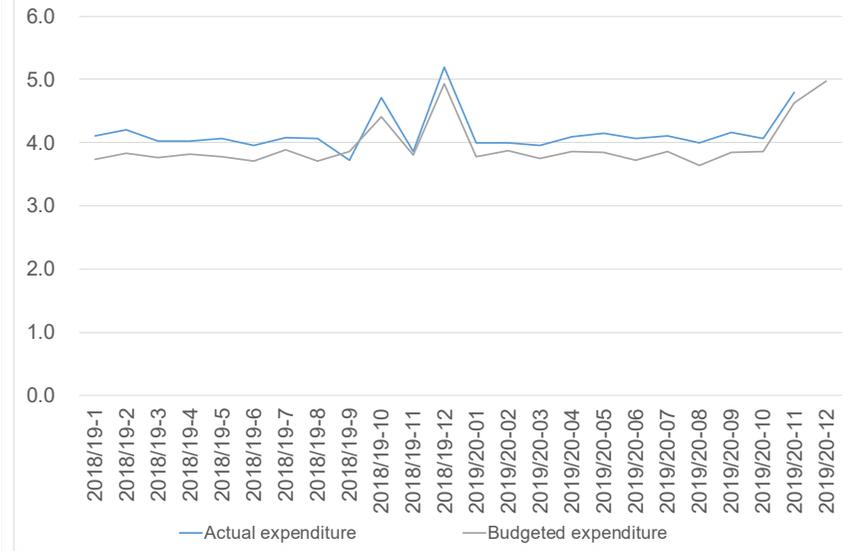
- Core team support to key proposals.
- Embedding output from KPMG Grip and Control Workshops – paper articulating responses completed – Action Plan under development to track progress.
- Embed Nursing Establishment Control triangulation of Whole Time Equivalent (WTE) staff between financial ledger, ESR/ payroll and rostering. Further work on-going on Medical staffing and reconciliation of job plans.
- Further work to identify and convert opportunities.
- Executive Team weekly updates on control governance, supported by suitable metrics.
- Pursue opportunities in key subjectives on the following pages.

Key Subjective Summary



Key Subjective Summary

Continuing Healthcare (CHC)



The total number of cases decreased in month. The increase in budget from Month 11 relates to the recognition of expected Funded Nursing Care (FNC) rate changes and CHC inflation. Full confirmation is awaited on the balance remaining in Reserves, and remains a risk to the position. The complexity of cases remains a key cost driver.

£'m	Spend	Over/(under) spend
FNC/CHC	21.0	(0.2)
Learning Disabilities	13.3	1.0
Mental Health	9.1	0.1
Children	1.1	(0.2)
Total	44.5	0.7

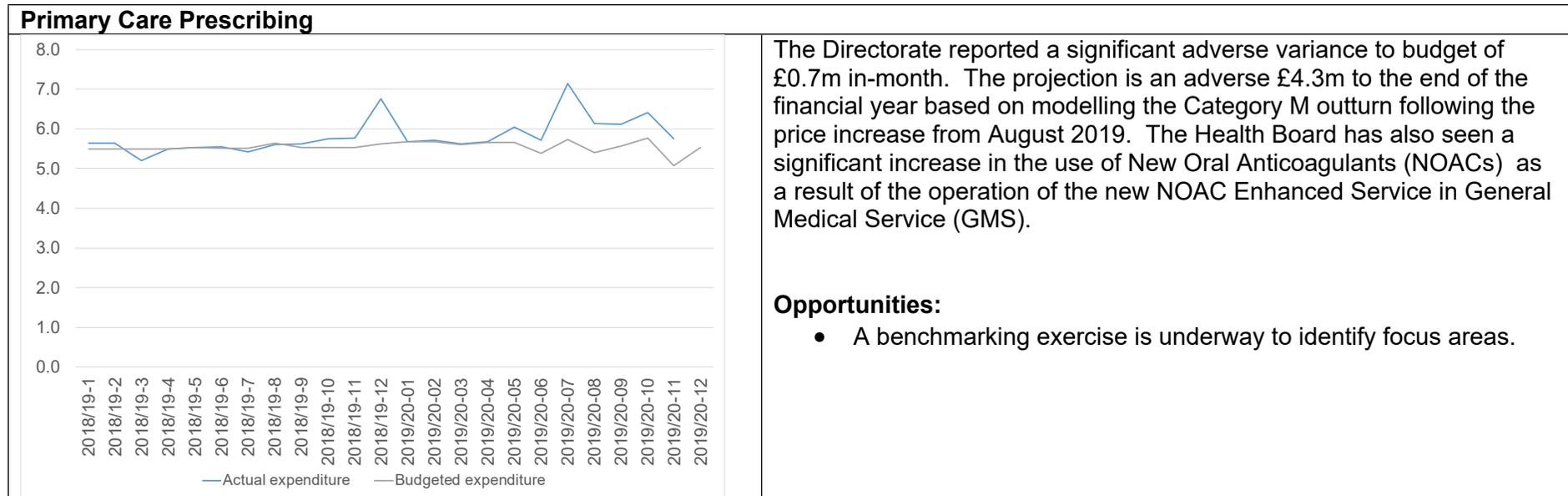
Opportunities:

- Transfer of placement contracts to national framework.
- Scrutiny of existing and new packages, moving to less restrictive and community-based cost-effective options.
- Joint working with Local Authority to reduce reliance on residential care and increase use of Supported Community Living.

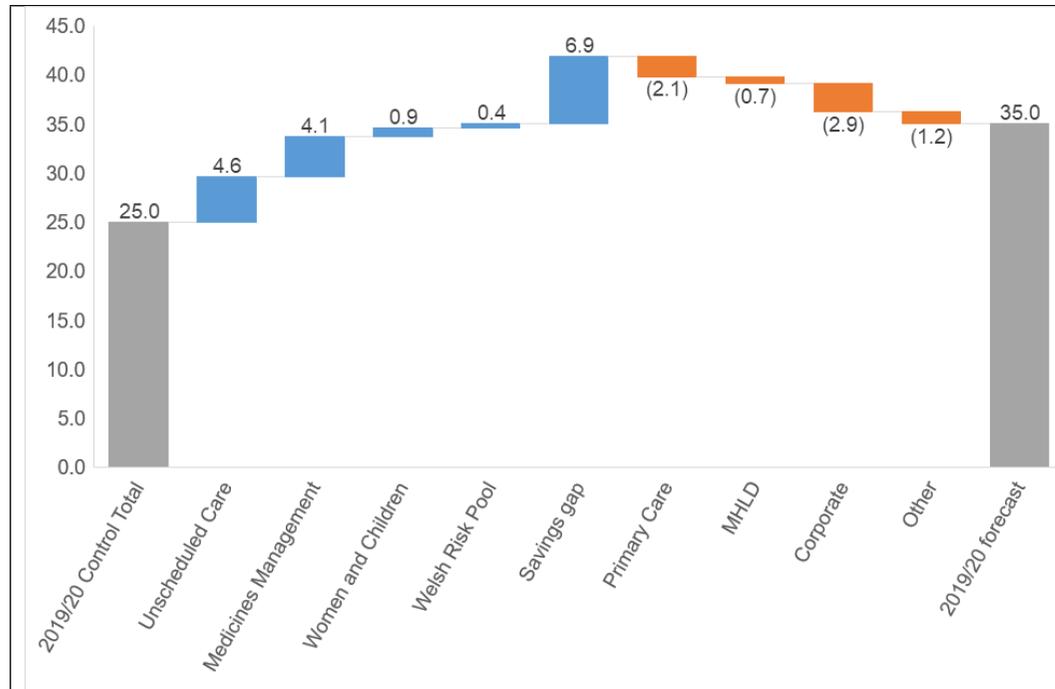
Key Subjective Summary

Secondary Care Drugs	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>There was an underspend in month, primarily due to a reduction in the pressures arising in Ophthalmology and immunisations. Secondary Care Drugs pressures continue in Oncology.</p> <p>Continued support will be needed from the Pharmacy Team to address this growth and a number of initiatives are in place to do this.</p> <p>Whilst specific savings schemes are delivering in-month, pressures are significantly in excess of the benefit realised.</p> <p>Opportunities:</p> <ul style="list-style-type: none"> • A benchmarking exercise is underway to identify focus areas.
Clinical Supplies and Services	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>The YTD position includes significant over-spends in relation to diabetic pumps and associated consumables due to a supplier ceasing to trade, resulting in the need to replace existing pumps with available alternatives which are more costly. This is primarily manifesting within Glangwili General Hospital (GGH), Children's Services and Witybush General Hospital (WGH) Directorates.</p> <p>Radiology Directorate is outsourcing reporting at a premium cost due to the level of vacancies caused by recruitment challenges.</p> <p>Opportunities:</p> <ul style="list-style-type: none"> • Non-Pay and Procurement Turnaround Assurance group are assessing the opportunities and identifying a Health Board Relationship Lead with key suppliers in an effort to improve terms and drive a reduction in costs.

Key Subjective Summary



Directorate Projections



Assurance

- The Turnaround and HTA process provides a high level of scrutiny and challenge to Directorates in terms of adherence to assigned budget and delivery and identification of robust savings schemes.

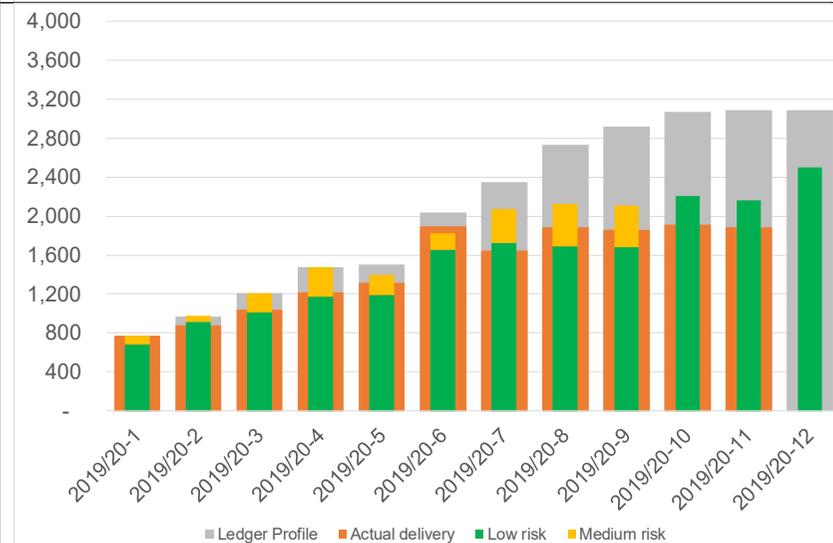
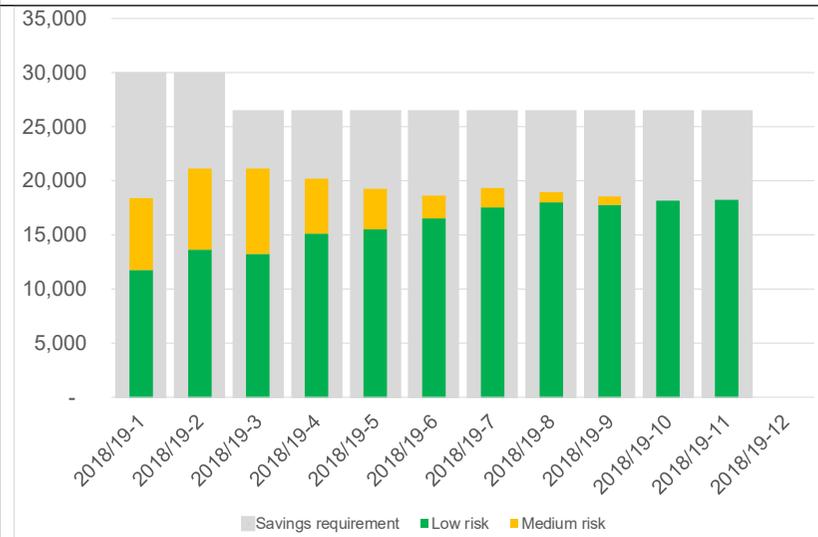
Concerns

- Current projections indicate: 1) a gap of £6.9m in fully identified savings schemes; 2) operational forecasts in excess of budget of £2.7m (Control Total requirement now fully assured), plus recognition of £0.4m share of Welsh Risk Pool, giving a projection of £10.0m adverse variance to plan. This would equate to a year end deficit position of £35.0m.
- The financial position is under severe pressure and, as a result of the cumulative position and trajectory, the reported forecast is £35.0m. This change in forecast was ratified by the Board on 28 November 2019 following completion of the Health Board's normal governance process.
- The Control Total has moved from £15.0m to £25.0m following the drawback by WG of the additional funding of £10.0m, which was dependent on HDdUHB achieving a deficit of £15.0m.

Next Steps

- Grip and Control workshops:
 - Workforce: conducted in September, now being translated into Action Plans with pace;
 - Pharmacy conducted in January with all Lead Pharmacists and business partnerships agreed;
 - Further workshops to be scheduled to cover other material opportunity categories.

Risk-assessed Directorate Savings Profile, Delivery and Forecast



Assurance

- Green and Amber forecast delivery of £18.3m identified to Month 11, which is an improvement of £0.1m from Month 10. Of the annual forecast, £18.3m are Assured (Green).
- In-month delivery of £1.9m, which is in line with Month 10 and forecast, however £0.3m below plan.

Concerns

- The revised forecast deficit of £35.0m does not require delivery of the full savings requirement of £25.2m, however the full identification of savings and the delivery of those plans is an area of concern, and one which remains subject to our accountability process.
- There is a gap of £4.5m between identified plans, and the ledger profile of the savings requirement has led to an adverse variance of £0.9m in Month 11.
- Cumulative slippage in delivery of Green and Amber schemes is £2.1m; total slippage projected in delivery of savings £2.4m.

Next Steps

There are certain areas where HDdUHB is seeking to increase the level of focus to address the weekly metrics (as the lead indicators of delivery) in order to achieve best outcomes from effort invested.