

Bundle Finance Committee 27 January 2020

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Finance Report Month 9

Presenter: Huw Thomas

2 2 Finance Report Month 9 SBAR

2 2 Appendix 1 Finance Report 2019-20 Month 9

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	27 January 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Finance Report – Month 9 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 £15m. The forecast position is £25m, given the cumulative financial position and on-going operational pressures. This position was ratified by the Board at its November 2019 meeting.

This represents a significant risk to the £10m additional Welsh Government (WG) funding received in-year, as this was predicated on delivery of the required £15m Control Total.

Month 9 Position

- Month 9 position is £1.5m (Month 8, £2.0m); operational variance to plan (£8.2m Year To Date - YTD).
- Month 9 YTD variance to breakeven is £20.1m.
- Significant adverse variances against plan in month are partly offset by a reduction in the share of the Welsh Risk Pool (WRP) and favourable gains elsewhere:
 - Medicines Management Primary Care Prescribing - £0.7m;
 - Operational surge, vacancies covered by premium cost staff and drugs in Unscheduled Care - impact of £0.5m;
 - Unidentified savings profile impact of £0.7m.
- Recovery and management within available resources is critical in future months.

Directorate Projections

- Operational forecasts in excess of budget of £4.3m (before Control Total requirement), plus recognition of £1.0m share of WRP; the improvement on Month 8 reflects the impact of identification of assured Control Total Actions within Directorate projections.
- In order to deliver the end-of-year projection, Directorates have been issued with a £2.8m Control Total requirement; there remain £1.9m of action plans that are undergoing a validation review to assess levels of assurance.
- Projection including savings risk is an adverse variance to plan of £10.0m; this would equate to a year-end deficit position of £25.0m, which is in line with the current forecast.
- After delivering pipeline schemes there are discussions on-going with Welsh Government (WG) regarding the further costs associated with the TB outbreak, beyond the confirmed funding of £0.8m.

Savings Summary

- £12.4m delivery to date against £25.2m total savings requirement. The pace of savings delivery requires continued acceleration in future months.
- £17.8m of Assured schemes; £0.8m of Marginal Risk schemes.
- Savings gap of £6.6m comprises £4.5m unidentified schemes and £2.1m 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;
- Significant risk to £10m additional Welsh Government (WG) funding, as this was predicated on delivery of the required £15m Control Total.

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	15.0	11.9	20.1	High
Savings	£'m	25.2	13.8	12.4	High
Capital	£'m	37.2	23.0	23.0	Medium
Non-NHS PSPP	%	95.0	95.0	95.9	Low
Period-End Cash	£'m	4.0	4.0	3.3	Medium*

*Assumes Welsh Government strategic repayable support for the planned deficit position.

Argymhelliad / Recommendation

The Finance Committee is asked to note and discuss the financial position for Month 9.

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 HDdUHB 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 MHLD – 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 – Worthybush 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 Finance Committee

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

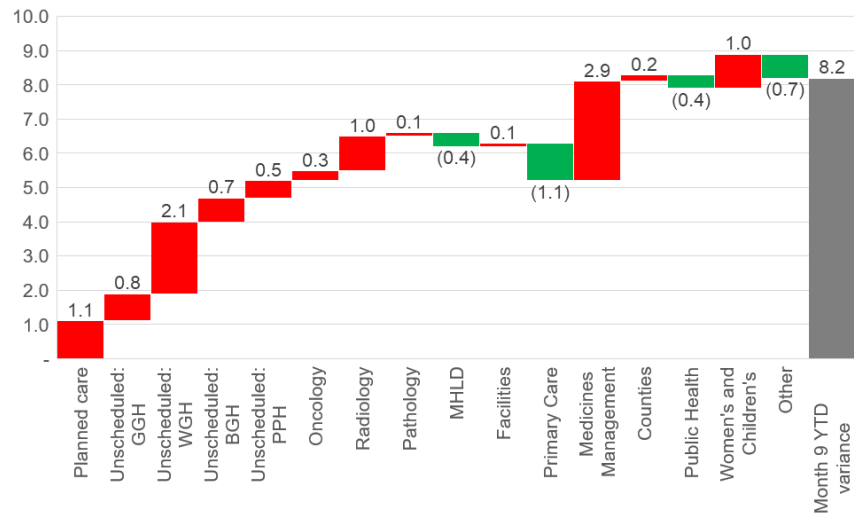
	<p align="center">Hywel Dda University Health Board's (HDdUHB) confirmed Control Total is £15m.</p> <p>Forecast position - £25m, given on-going operational pressures - was ratified by the Board in the November 2019 meeting.</p>
Revenue	<ul style="list-style-type: none"> • Month 9 Year To Date (YTD) variance to breakeven is £20.1m. • Month 9 position is £1.5m (Month 8 - £2.0m) operational variance to plan (£8.2m YTD). • Significant adverse variances against plan in month, partly offset by a reduction in the share of Welsh Risk Pool (WRP) and favourable gains elsewhere: <ul style="list-style-type: none"> ○ Medicines Management Primary Care Prescribing: £0.7m; ○ Operational surge, vacancies covered by premium cost staff and drugs in Unscheduled Care: impact of £0.5m; ○ Unidentified savings profile impact of £0.7m.
Projection	<ul style="list-style-type: none"> • Operational forecasts in excess of budget of £4.3m (before Control Total requirement) plus recognition of £1.0m share of WRP; the improvement on Month 8 reflects the impact of identification of assured Control Total Actions within Directorate projections. • In order to deliver the end of year projection, Directorates have been issued with a £2.8m Control Total requirement; there remain £1.9m of action plans that are undergoing a validation review to assess the level of assurance. • Projection including savings risk is an adverse variance to plan of £10.0m; this would equate to a year-end deficit position of £25.0m, which is in line with the current forecast. • After delivering pipeline schemes there are discussions on-going with Welsh Government (WG) around the further costs associated with the TB outbreak beyond the confirmed funding of £0.8m.
Savings	<ul style="list-style-type: none"> • £12.4m delivery to date against £25.2m total savings requirement. The pace of savings delivery requires continued acceleration in future months. • £17.8m of Assured schemes; £0.8m of Marginal Risk schemes. • Savings gap of £6.6m comprises £4.5m unidentified schemes and £2.1m slippage on identified schemes.
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; • Significant risk to £10m additional WG funding, as this was predicated on delivery of the required £15m control total.

Executive Summary

Summary of Key Financial Targets					
<p>HDdUHB's key targets are as follows:</p> <ul style="list-style-type: none"> • 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 used. For HDdUHB, this is approximately £4.0m. 					
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<p>* Assumes Welsh Government strategic repayable support for the planned deficit position.</p>					

Revenue Summary

YTD Variance by Directorate



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.

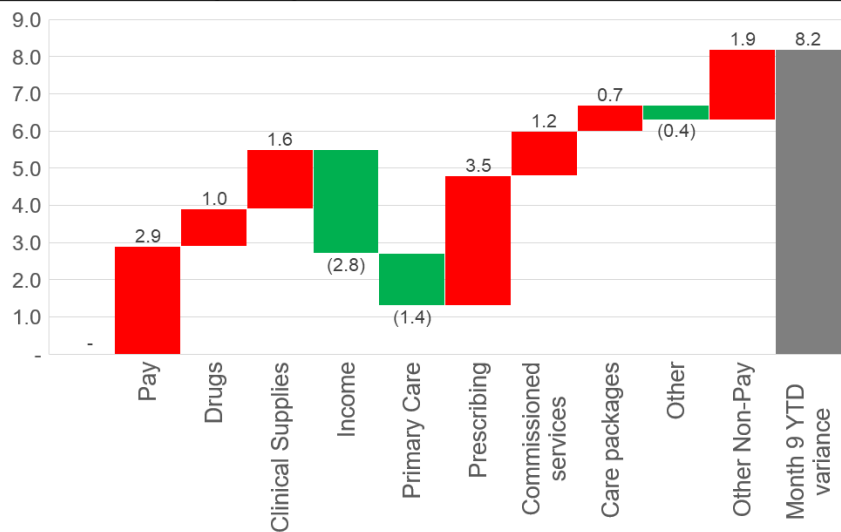
Concerns

- Of the YTD deficit against plan, key pressures are manifesting:
 - £4.1m Unscheduled Care
 - £2.9m Medicines Management
 - £1.1m Planned Care
 - £1.0m Radiology
 - £1.0m Women and Children

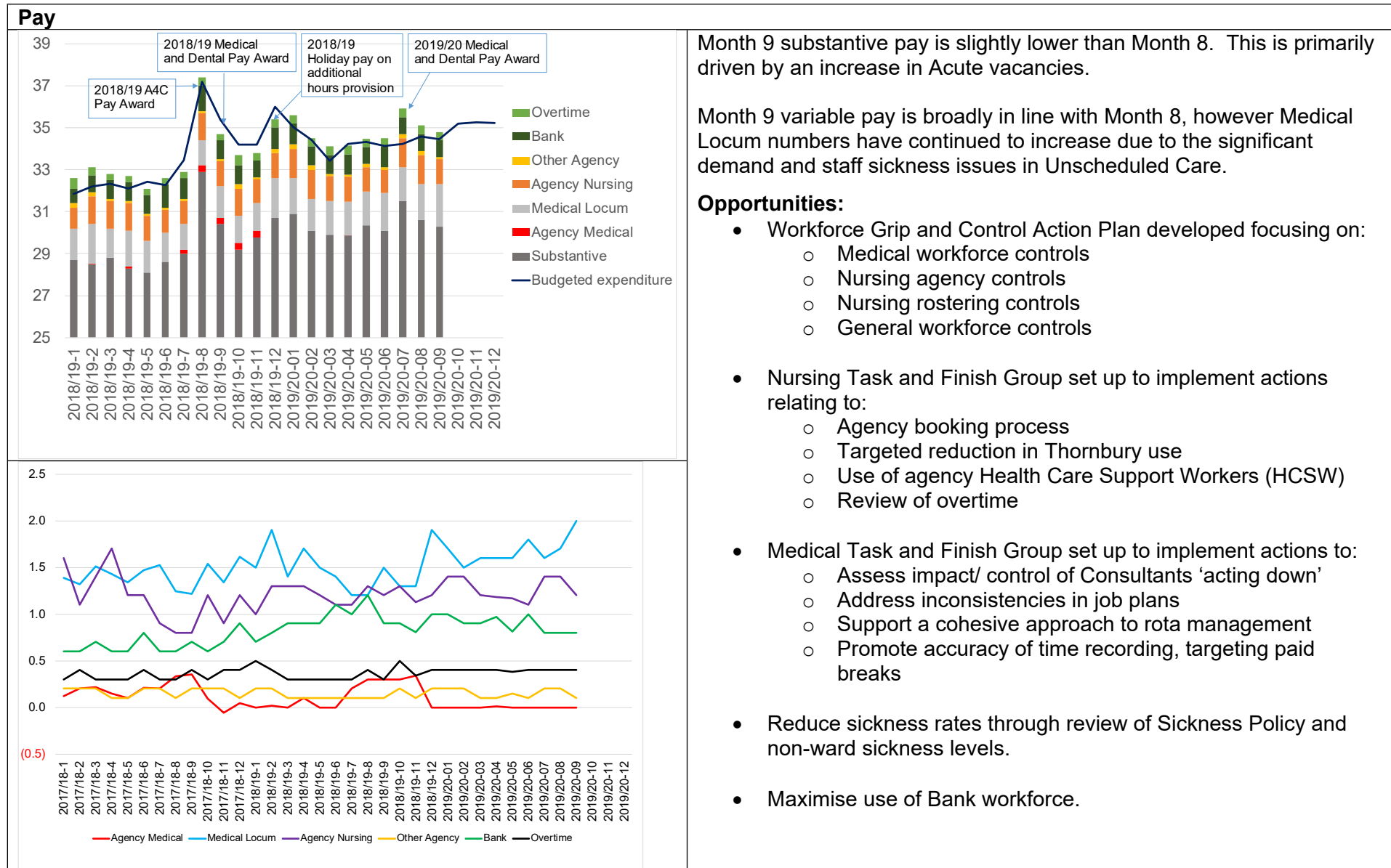
Next Steps

- Core team support for key proposals.
- Embedding output from KPMG Grip and Control Workshops.
- Embed Nursing Establishment Control triangulation of Whole Time Equivalent (WTE) staff between financial ledger, Electronic Staff Record (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 following pages.

YTD Variance by Subjective

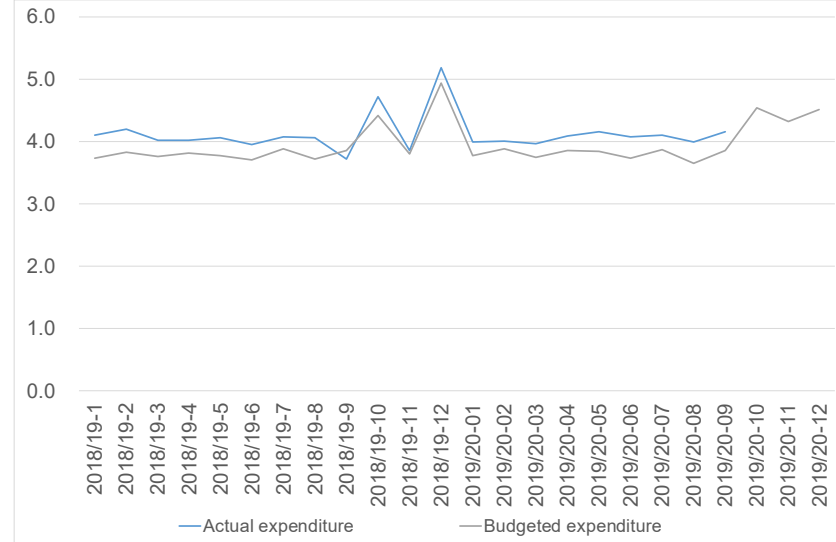


Key Subjective Summary



Key Subjective Summary

Continuing Healthcare (CHC)



The total number of cases increased in month. The increase in budget from Month 10 relates to the recognition of expected Funded Nursing Care (FNC) rate changes and CHC inflation. Full confirmation is awaited, and these remain a risk to the position. The complexity of cases remains a key cost driver.

£'m	Spend	Over/(under) spend
FNC/ CHC	17.0	(0.1)
Learning Disabilities	10.5	0.8
Mental Health	7.3	0.1
Children	1.0	(0.1)
Total	35.8	0.7

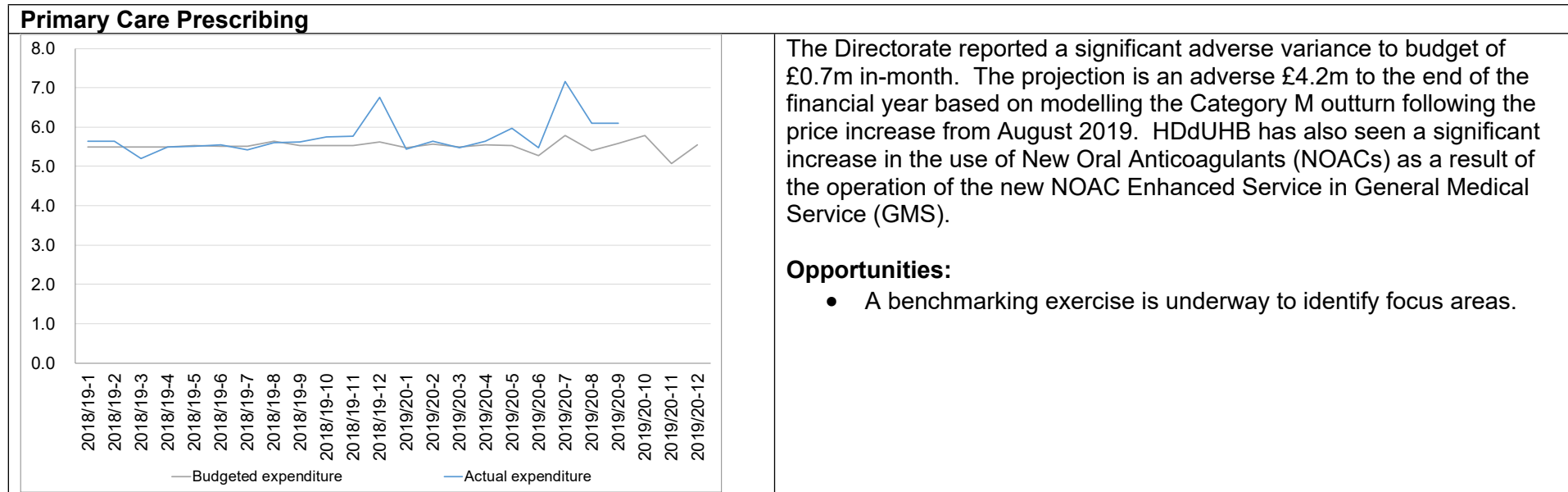
Opportunities:

- 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 Community Supported Living.

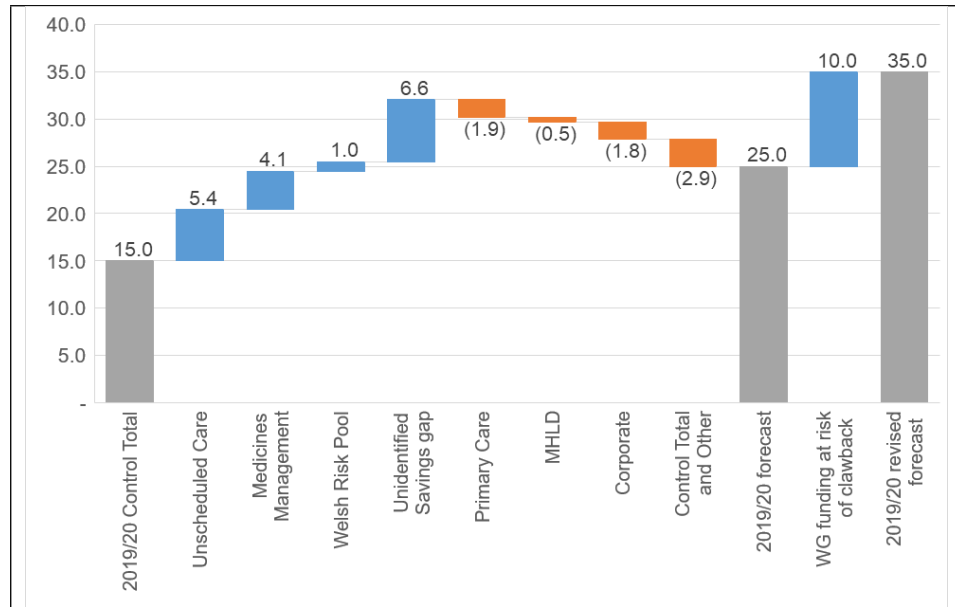
Key Subjective Summary

Secondary Care Drugs	
<p>— Actual expenditure — Budgeted expenditure</p>	<p>There was a significant overspend in month, primarily due to Oncology drugs. Secondary Care Drugs pressures continue with the closure of the Aseptics Unit and the higher-than-expected activity treating Wet Age-Related Macular Degeneration (AMD).</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 being seen in other areas, particularly Dermatology, Rheumatology and Ophthalmology.</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 more costly available alternatives. This is primarily manifesting within Glangwili General Hospital (GGH), Children’s Services and Withybush 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 opportunities and identifying a HDdUHB Relationship Lead to negotiate 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 processes provide a high level of scrutiny and challenge to Directorates in terms of adherence to assigned budget and delivery and identification of robust savings schemes.

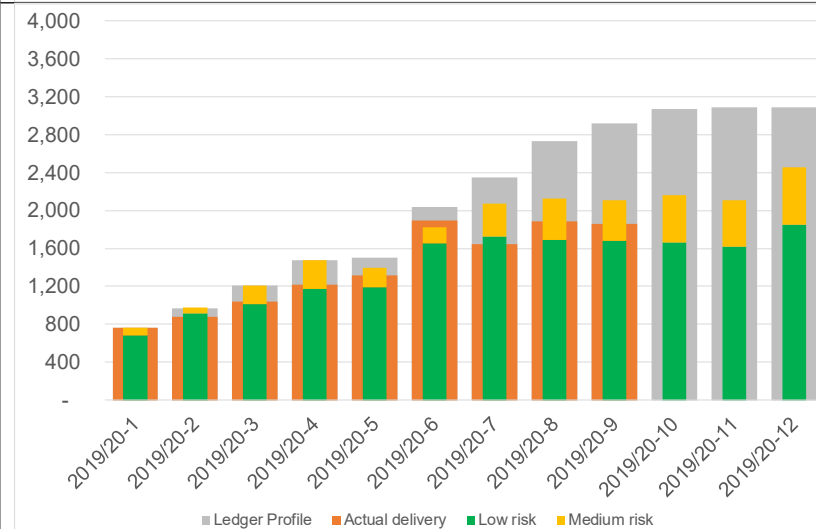
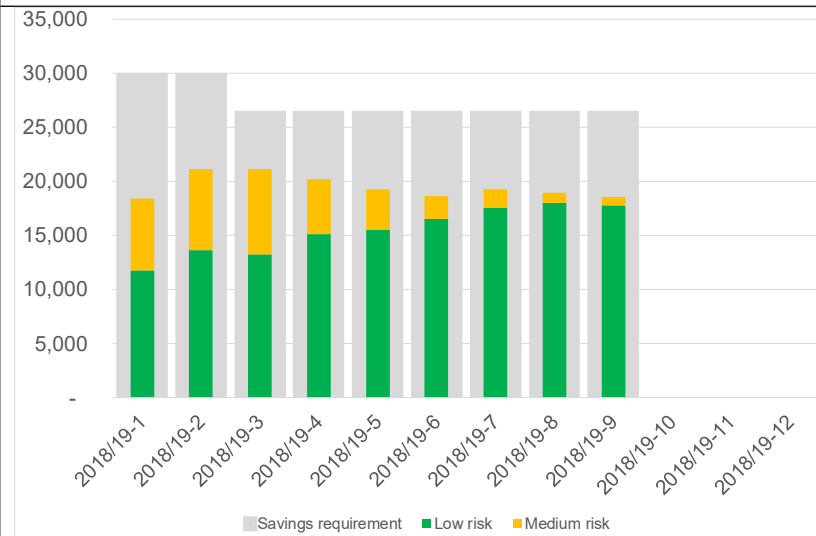
Concerns

- Current projections indicate: 1) a gap of £6.6m in fully identified savings schemes; 2) operational forecasts in excess of budget of £4.3m (before remaining Control Total requirement of £1.9m), plus recognition of £1.0m 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 £25.0m.
- The financial position is under severe pressure and, as a result of the cumulative position and trajectory, the reported forecast is £25.0m. This change in forecast was ratified by the Board on 28 November 2019 following completion of HDdUHB's normal governance process.
- There is a risk to the additional WG funding of £10.0m, as this was dependent on HDdUHB achieving the required Control Total of £15.0m.

Next Steps

- Grip and Control workshops:
 - Workforce: conducted in September, now being translated into Action Plans with pace;
 - Pharmacy: scheduled to include all Lead Pharmacists;
 - 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 £18.6m identified to Month 9, which is a deterioration of £0.4m from Month 8. Of the annual forecast, £17.8m is Assured (Green).
- In-month delivery of £1.9m, which is in line with forecast and in line with Month 8; however £0.2m below plan.

Concerns

- The revised forecast deficit of £25.0m does not require delivery of the full savings requirement of £25.2m; however the full identification of savings and the delivery of those plans represent an area of concern, and one which remains subject to HDdUHB accountability process.
- There is a gap of £4.5m between identified plans and the ledger profile of the savings requirement, which has led to an adverse variance of £0.7m in Month 9. The pace of savings delivery continues to require acceleration in future months.
- Cumulative slippage in delivery of Green and Amber schemes is £1.4m; total slippage projected in delivery of savings is £2.1m.

Next Steps

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