

## PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

<b>DYDDIAD Y CYFARFOD:</b> <b>DATE OF MEETING:</b>	28 October 2021
<b>TEITL YR ADRODDIAD:</b> <b>TITLE OF REPORT:</b>	Balance Sheet Analysis – as at 30 <sup>th</sup> September 2021
<b>CYFARWYDDWR ARWEINIOL:</b> <b>LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD:</b> <b>REPORTING OFFICER:</b>	Jennifer Thomas, Senior Finance Business Partner

**Pwrpas yr Adroddiad** (dewiswch fel yn addas)

**Purpose of the Report** (select as appropriate)

Er Sicrwydd/For Assurance

### 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) Balance Sheet position as at Quarter 2 2021/22 (M6) and to provide an explanation for key movement.

The report also outlines the monthly scrutiny of the Balance Sheet and further developments.

#### Cefndir / Background

HDdUHB's Financial Accounts team, on behalf of the Director of Finance and as part of a monthly review process and sign off, will ensure scrutiny and completeness of the Health Board's Balance Sheet.

#### Asesiad / Assessment

#### Quarter 2 2021-22 Balance Sheet Review

The Month 6 Balance Sheet, with explanation of key variances, is shown in detail in Appendix 1. The movement of £21m from the opening position can be summarised as follows:

<b>Balance Sheet Heading</b>	<b>2021-22 Opening Balance £m</b>	<b>30<sup>th</sup> Sept 2021 £'m</b>	<b>Movement £'m</b>
Fixed Assets	292	292	0
Other non-current assets	59	71	12
Current assets	53	66	13
<b>Total Assets</b>	<b>404</b>	<b>429</b>	<b>25</b>
Trade and other Payables	-154	-142	12
Provisions	-80	-96	-16
<b>Total Liabilities</b>	<b>-234</b>	<b>-238</b>	<b>-4</b>
<b>Net Assets less Liabilities</b>	<b>170</b>	<b>191</b>	<b>21</b>

Appendix 2 shows the Power BI platform for Balance Sheet analysis.

### **Further developments**

#### **Month end Balance Sheet closedown system**

- Phase 1 (Account Reconciliation) of the Blackline solution for month end reconciliations was successfully implemented in September 2021. Blackline is now the platform used by Finance to prepare, approve and review the Balance sheet reconciliations. It automates and standardises reconciliations, to minimise the risk of material errors and misstatements and it will release staff to perform value added activities.
- Phase 2 (Matching) is currently underway and is planned to be concluded by December 2021. This will streamline and automate high volume reconciliation data eg bank reconciliations.

### **Argymhelliad / Recommendation**

The Sustainable Resources Committee is requested to:

- Note and discuss the Balance Sheet as at the end of Quarter 2 2021-22
- Note the developments to improve scrutiny of the Balance Sheet

### **Amcanion: (rhaid cwblhau)**

#### **Objectives: (must be completed)**

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	2.5 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:	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:	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.
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Rhestr Termiau: Glossary of Terms:	Explanation of terms included within the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Executive Team

<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Financial implications are inherent within the report.
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	The impact on patient care is assessed within the savings schemes.
<b>Gweithlu:</b> <b>Workforce:</b>	Not Applicable
<b>Risg:</b> <b>Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol:</b> <b>Legal:</b>	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.
<b>Enw Da:</b> <b>Reputational:</b>	Adverse variance against HDdUHB's financial plan will affect its reputation with Welsh Government, the Wales Audit Office, and with external stakeholders
<b>Gyfrinachedd:</b> <b>Privacy:</b>	Not Applicable
<b>Cydraddoldeb:</b> <b>Equality:</b>	Not Applicable

# APPENDIX 1

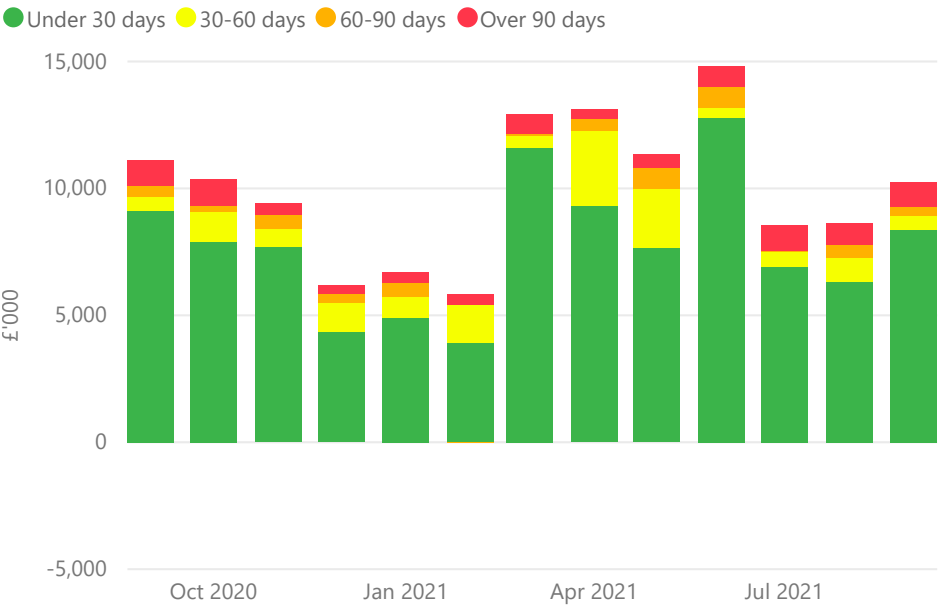
Statement of Financial Position as at 30 <sup>th</sup> June 2021	Opening Balance 1 <sup>st</sup> April 2021 £'000	Closing Balance 30 <sup>th</sup> Sept 2021 £'000	Movement £'000	
<b>Non Current Assets</b>				
Property, plant and equipment	290,648	290,822	174	
Intangible assets	1,349	1,122	(227)	
Trade and other receivables	59,024	70,944	11,920	
<b>Non-Current Assets sub total</b>	<b>351,021</b>	<b>362,888</b>	<b>11,867</b>	
<b>Current Assets</b>				
Inventories	9,029	9,647	618	
Trade and other receivables	42,207	53,051	10,844	
Cash and cash equivalents	2,313	3,314	(1,001)	
Non-current assets classified as held for sale	392	0	(392)	
<b>TOTAL CURRENT ASSETS</b>	<b>53,941</b>	<b>66,012</b>	<b>12,071</b>	
<b>TOTAL ASSETS</b>	<b>404,962</b>	<b>428,900</b>	<b>23,938</b>	
Current Liabilities	(152,942)	(140,944)	11,998	
Provisions	(21,116)	(29,699)	(8,583)	
<b>NET CURRENT ASSETS / (LIABILITIES)</b>	<b>230,904</b>	<b>258,257</b>	<b>27,353</b>	
<b>Non-Current Liabilities</b>				
Trade and other Payables	(1,123)	0	1,123	
Provisions	(59,381)	(66,103)	(6,722)	
<b>TOTAL ASSETS EMPLOYED</b>	<b>170,400</b>	<b>192,154</b>	<b>21,754</b>	
<b>FINANCED BY:</b>				
<b>Taxpayers' Equity</b>				
General Fund	140,985	157,020	16,035	
Revaluation Reserve	29,415	35,134	5,719	
<b>TOTAL TAXPAYERS' EQUITY</b>	<b>170,400</b>	<b>192,154</b>	<b>21,754</b>	

The trade receivables movement is due to increases in the VAT debtor £1m, bad debt provision £1m, prepayments £4m with the remainder of £17m attributable to an increase in the Welsh Risk Pool debtor as a result of medical negligence claims.

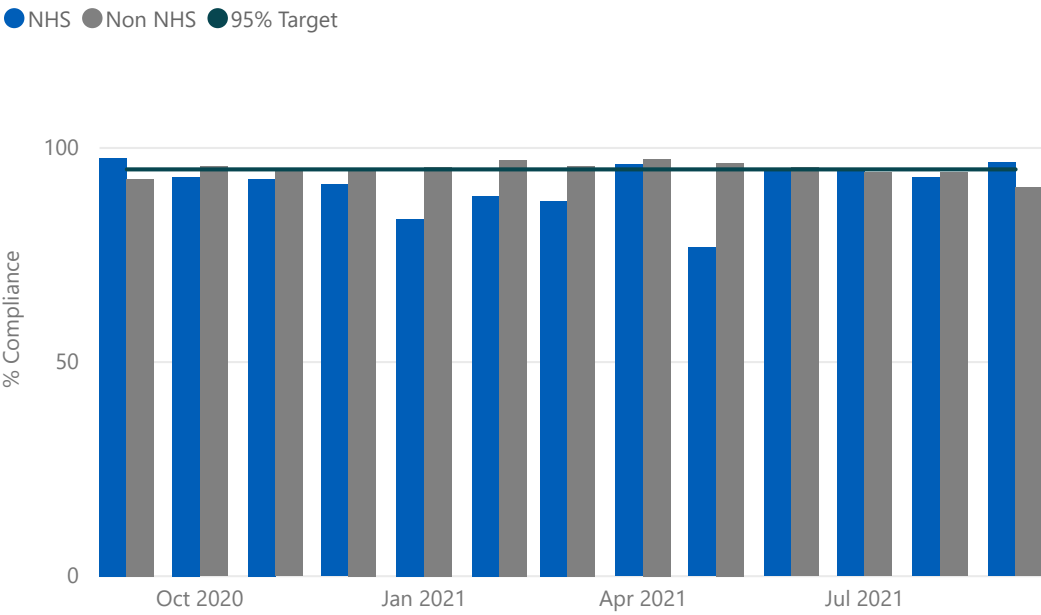
The movement in current liabilities is mainly attributable to the reduction of Other Payables of £11m, as a result of the payment of the COVID-19 bonus to staff in May 2021

The movement in total provision is in relation to medical negligence cases, this is mainly due to an increase in the value of damages for 3 cases.

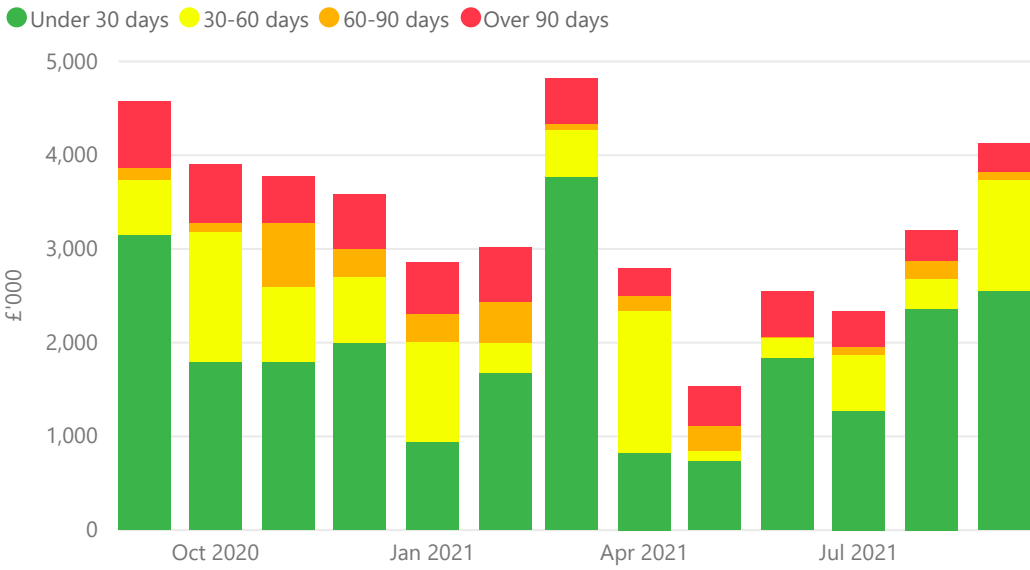
Aged Payables



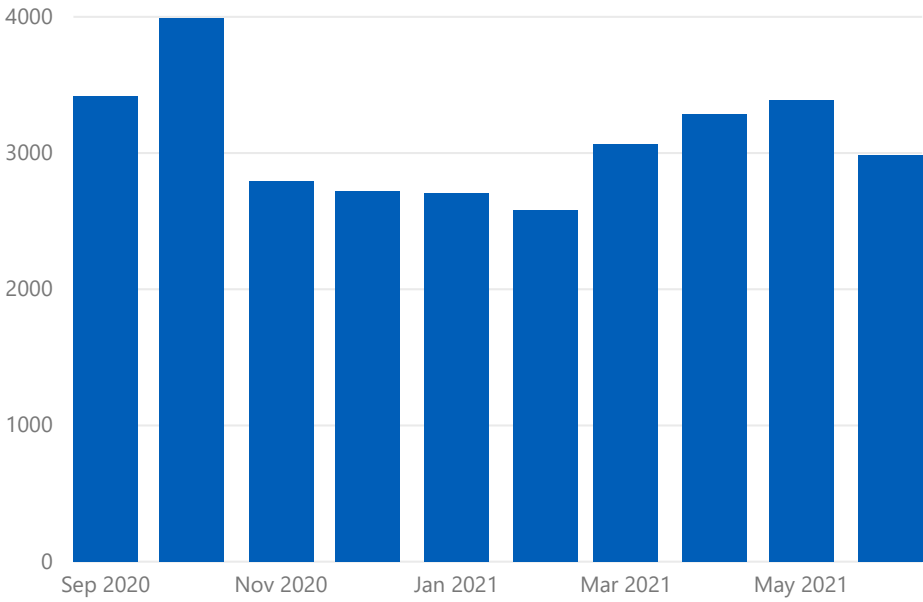
Public Sector Payment Policy (PSPP)



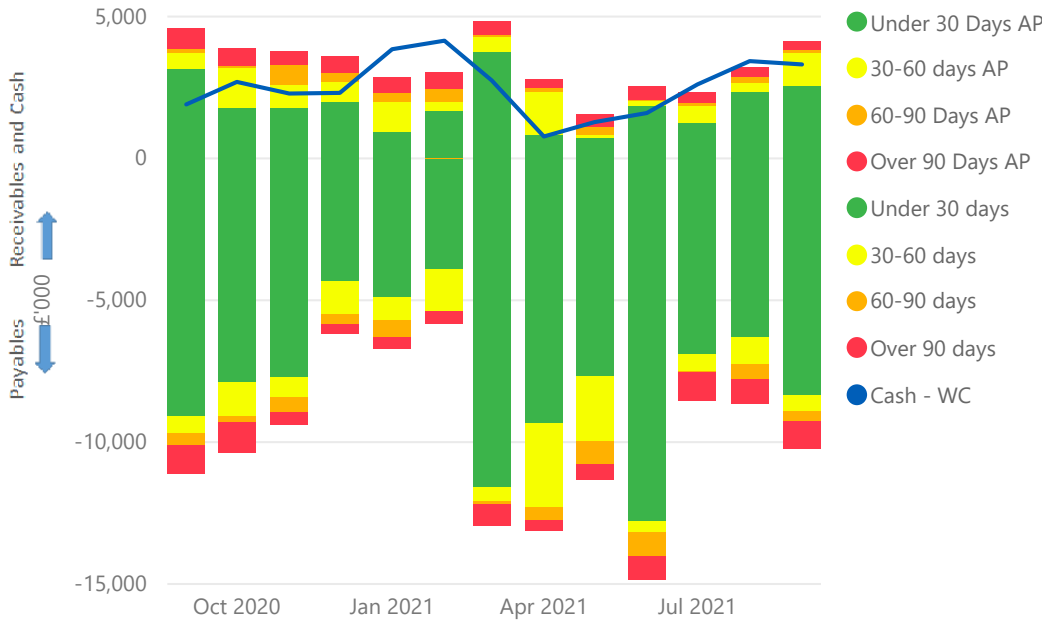
Aged Receivables



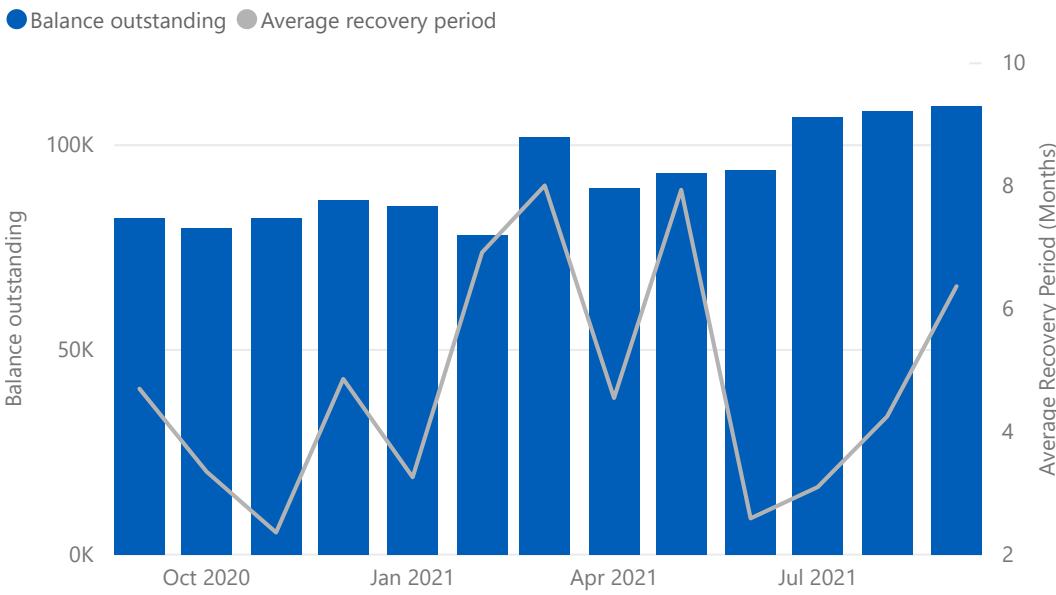
On Hold Volume



Working Capital

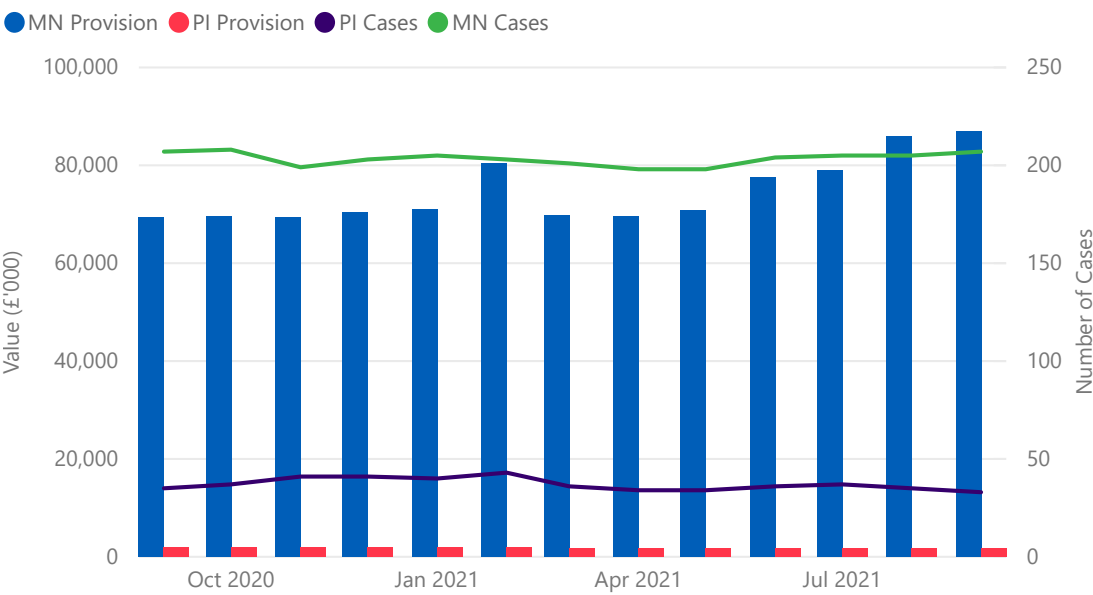


Overpayments of Salaries

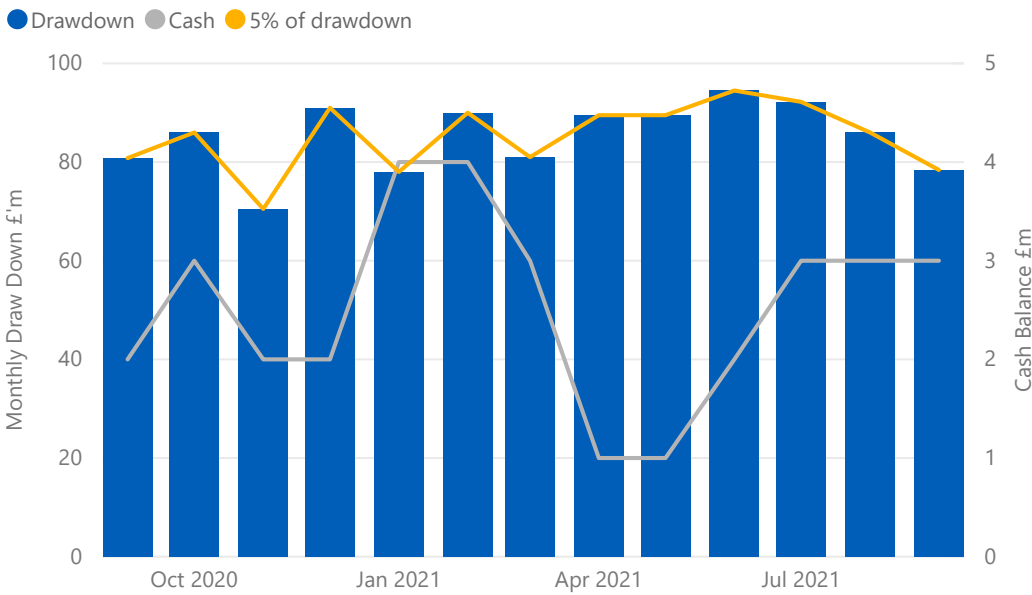


Summarised	2021-22 Opening Balance	Month 6 £'000	Movement M6 £'000
Fixed assets	290,648	290,822	174
Other non current assets	60,373	72,066	11,693
Total Non Current Assests	351,021	362,888	11,867
Cash	2,705	3,314	609
Inventories	9,029	9,647	618
Other financial assets	0	0	0
Trade and other receivables	42,207	53,051	10,844
Total Current Assets	53,941	66,011	12,070
Total Assets	404,962	428,898	23,936
Provisions	21,116	29,699	8,583
Trade and other payables	152,942	141,150	-11,792
Total Current Liabilities	174,058	170,644	-3,414
Total Net Assets less Liabilities	230,904	258,255	27,351
Provisions	59,381	66,103	6,722
Trade and other payables	1,123	0	-1,123
Total Non-current liabilities	60,504	66,103	5,599
Total Assets Employed	170,400	192,152	21,752
General Fund	140,985	157,018	16,033
Revaluation reserve	29,415	35,134	5,719
Total Taxpayers' equity	170,400	192,152	21,752

Medical Negligence & Personal Injury



Cash WG Allocation





Aged Payables



Aged Receivables



PSPP



Cash

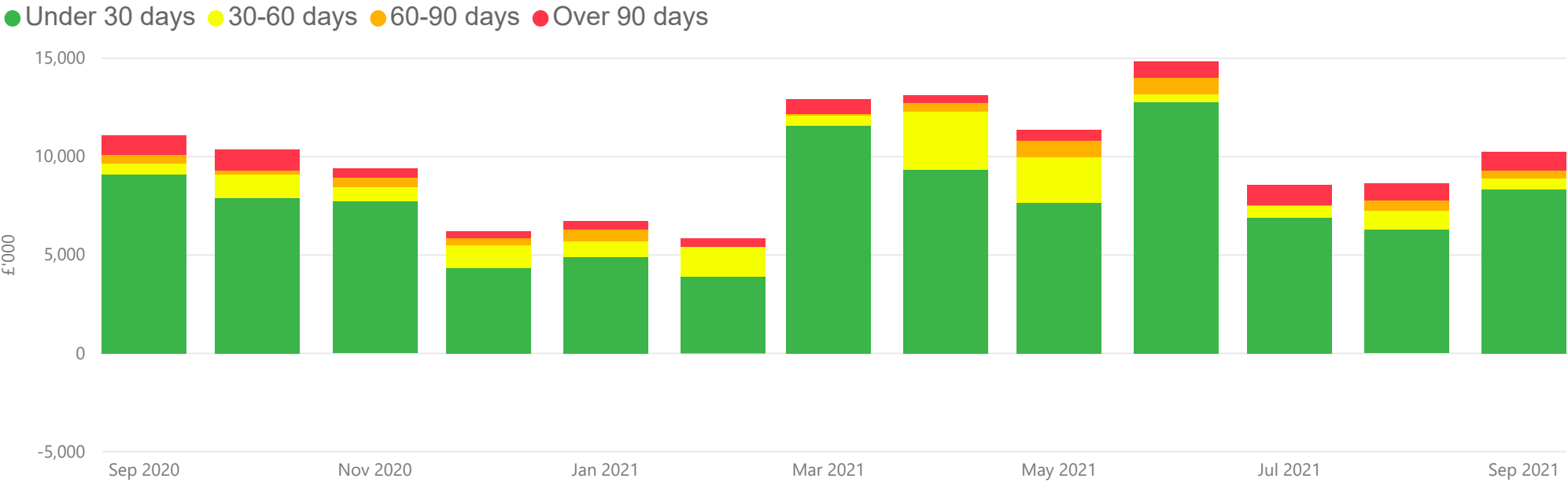


Working Capital



Medical Negligence

Aged Payables



As at 30th September 2021 there were £10.2m of unpaid supplier invoices in the Oracle financial ledger system (£14.8m at the end of June), of these, £1.9m were over 30 days old, representing 18% of the overall outstanding number of invoices (£2m at the end of June).



Aged Payables



Aged Receivables



PSPP



Cash



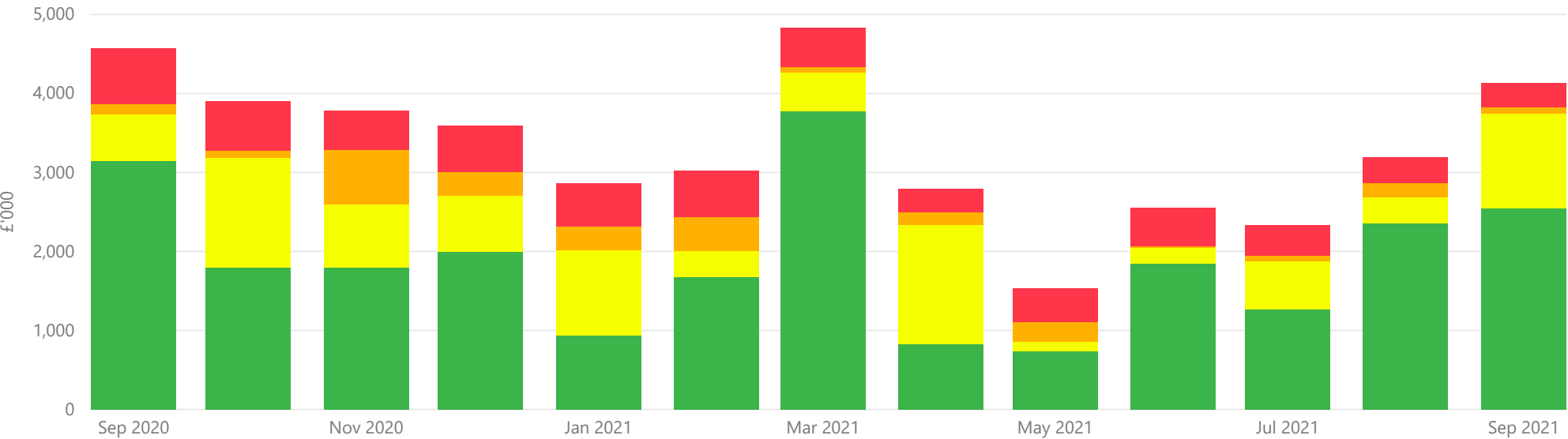
Working Capital



Medical Negligence

Aged Receivables

Under 30 days 30-60 days 60-90 days Over 90 days



A sum of £0.2m is currently being managed on our behalf by our debt recovery agency, CCI.

A sum of £56,879 is being repaid directly to the Health Board by instalment or salary deduction.

As at the end of September 2021 there was £4.1m (£2.6m at the end of June 2021), of debt owed to the Health Board, of this £2.5m (62%) (30th June 2021 £1.8m, 72%) was under 30 days old. The increase in the overall value of debt is partly due to an invoice to Carmarthenshire County Council for £291k which has now been approved for imminent payment and invoices to Public Health Wales totalling £570k for which we received payment on 11th October 2021.



Aged Payables



Aged Receivables



PSPP



Cash



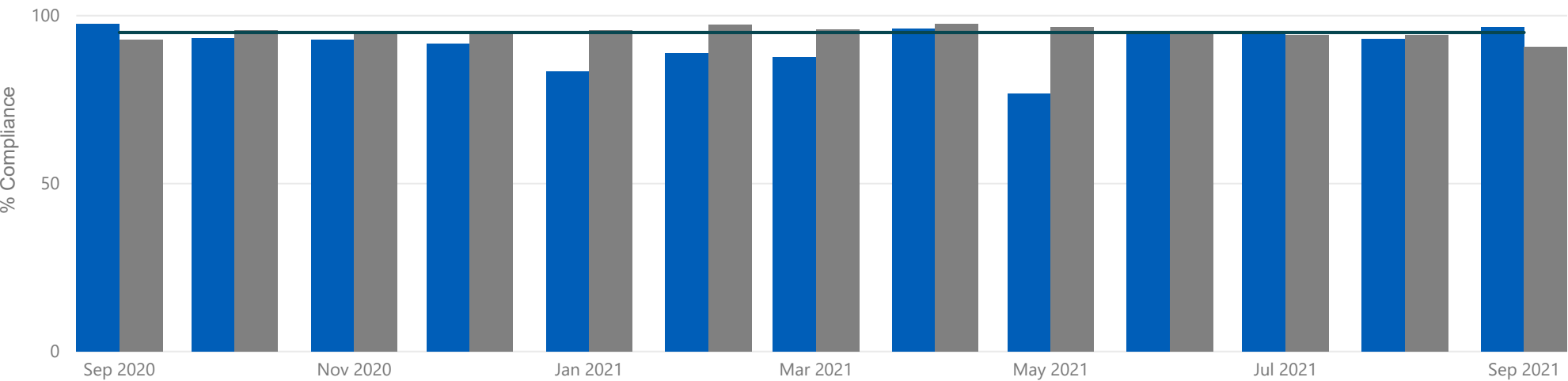
Working Capital



Medical Negligence

Public Sector Payment Policy (PSPP)

● NHS ● Non NHS ● 95% Target



The Health Board did not achieve its PSPP target of paying 95% of its non-NHS invoices within 30 days in September with 90.71%, and a cumulative position of 94.57%. Compliance for Quarter 2 was 93% (96.38% for Q1). A large volume of Pharmacy invoices has caused a dip in the compliance achieved, extra resources have been brought on board to resolve this with fixed term staff commencing imminently to process and clear the backlog.





Aged Payables



Aged Receivables



PSPP



Cash

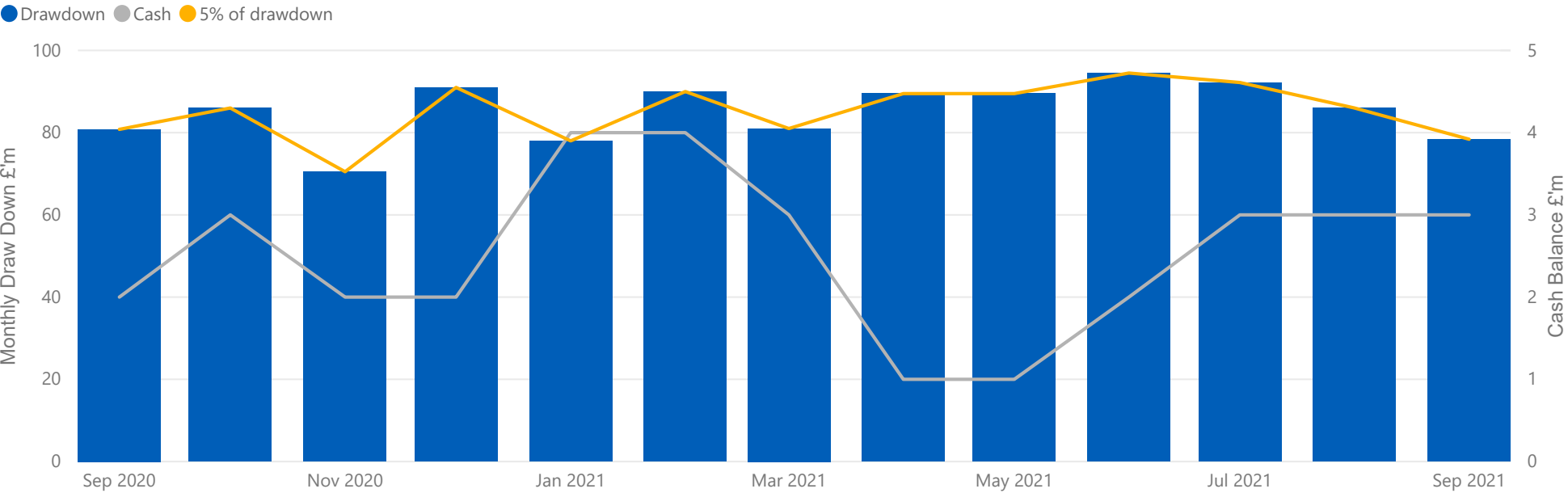


Working Capital



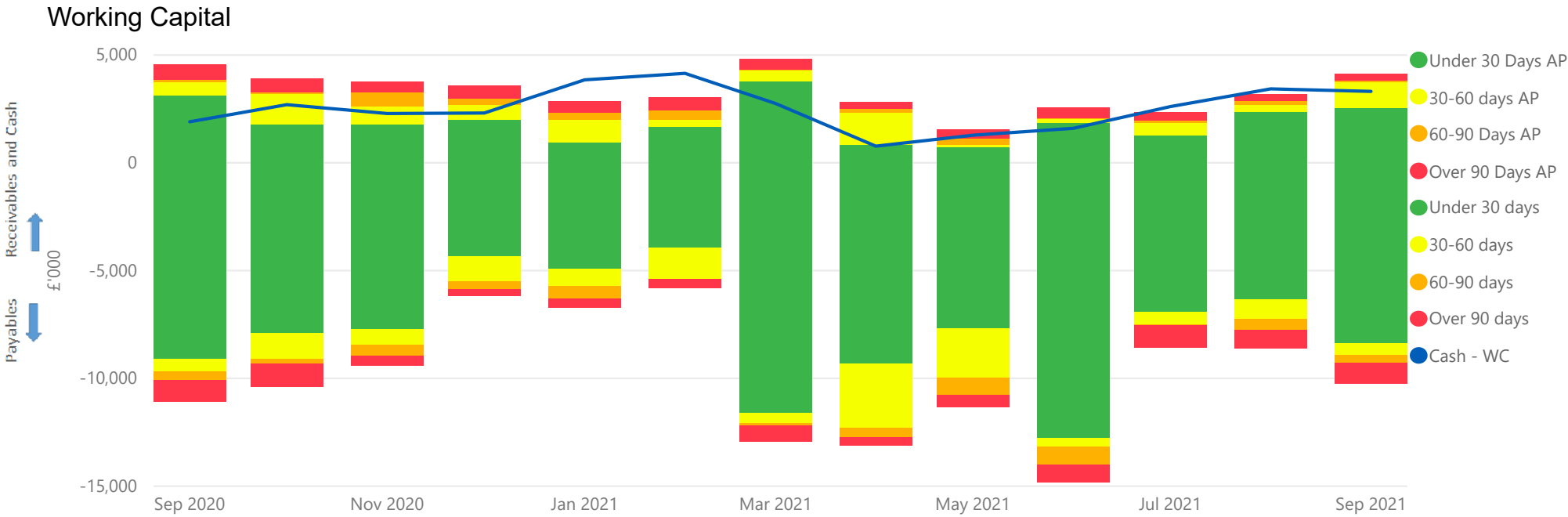
Medical Negligence

Cash WG Allocation



The Health Board has as approved cash limit of £1,025.9m split between revenue £990.1m and capital £35.8m. The amount of cash drawn down in total up to the end of September is £530.1m. The closing balance of £3.3m did not exceed 5% of the total monthly draw down from Welsh Government.

- Aged Payables
- Aged Receivables
- PSPP
- Cash
- Working Capital
- Medical Negligence



As at the end of September the cash and cash equivalents balance is £3.3m (£3.4m at the end of August). Balances owed to the Health Board at the end of September are £4.1m (£3.2m in August). It is imperative that this is collected promptly to reduce reliance on cash support from WG. Balances owed to suppliers at the end of September are £10.2m (£8.6m in August).



Aged Payables



Aged Receivables



PSPP



Cash

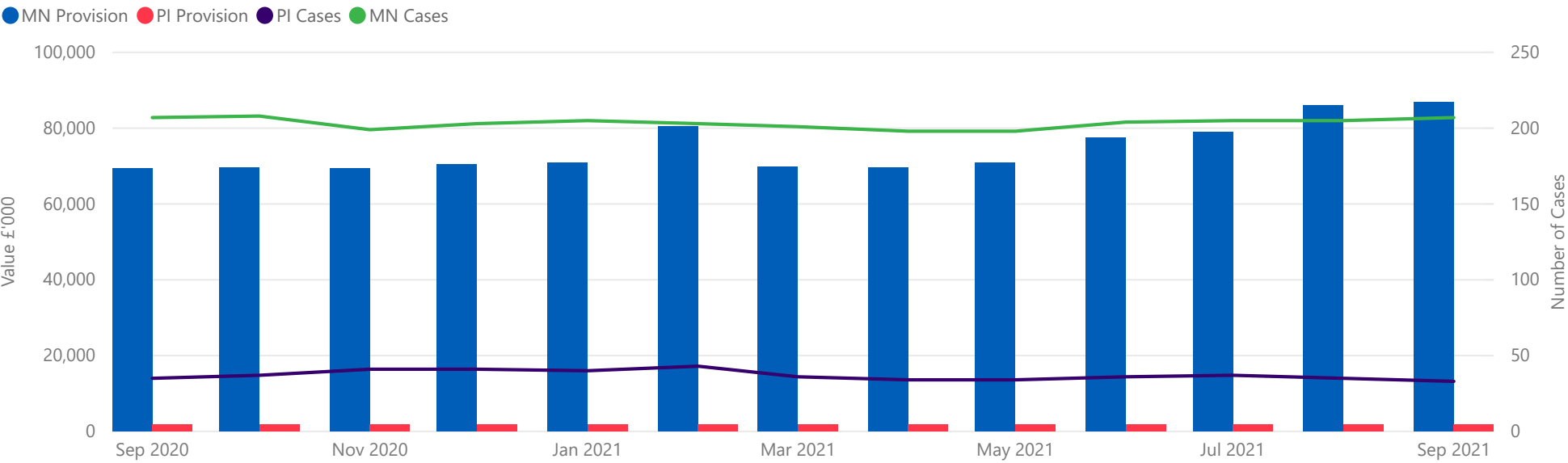


Working Capital



Medical Negligence

Medical Negligence & Personal Injury



The movement in the provision for medical negligence cases from the end of 2020/21 is £17.6m. This is attributable primarily to the increase in damages provision for three cases