

3.1

Balance Sheet

*Presenter: Jennifer Thomas*

3.1 Balance Sheet Analysis SBAR.docx

3.1 Appendix 2 - HDUHB Financial Accounting Dashboard Final.pdf

## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	22 October 2020
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Balance Sheet Analysis – Month 6 2020/21
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Jennifer Thomas, Senior Finance Business Partner

<b>Pwrpas yr Adroddiad (dewiswch fel yn addas) Purpose of the Report (select as appropriate)</b>
Er Sicrwydd/For Assurance

### ADRODDIAD SCAA SBAR REPORT

**Sefyllfa / Situation**

The purpose of the report is to outline Hywel Dda University Health Board's (HDdUHB) balance sheet position as at Month 6.

The report will detail the Month 6 balance sheet and explanation of key movement.

The report will outline the monthly scrutiny of the balance sheet and further developments.

**Cefndir / Background**

HDdUHB's Financial Accounts Team, on behalf of the Finance Director, and as part of a monthly review process and sign off, will ensure scrutiny and completeness of the Health Board's (HB) balance sheet.

**Asesiad / Assessment**

**Month 6 balance sheet**

Month 6 balance sheet with explanation for key variances is shown in detail in Appendix 1 (attached to this report).  
The movement of £6m from the year end position can be summarised as follows:

Balance sheet heading	£'m
Fixed Assets	(3)
Trade Receivables	(18)
Current Liability	8
Provisions	20
<b>Net movement</b>	<b>6</b>

## **Balance sheet review**

Maintenance of the balance sheet is key to ensuring control and integrity of the financial ledger.

The deadline for preparation and approval of all reconciliation is now incorporated into the Finance Directorate's month-end timetable and the Financial Accounting Business Partner has produced guidance on the completion of reconciliations which is shared across the Finance Team.

The balance sheet review process as at Month 6 has identified £1.75m to release to the HB's bottom line, relating to accruals at end of year.

Further developments outlined below will provide further assurance to the Committee of the robust processes developed within the Financial Accounts Team:

### **➤ Power BI Analytics**

Along with the developments relating to the use of Power Bi for the month-end revenue position, Power BI is being developed to provide enhanced breakdown and scrutiny of the balance sheet. This is at an early stage in development and once all drill-down capabilities and feeder information is included it will provide an essential analysis tool for Finance Directorate to target issues such as slow-moving debts, invoices on hold, aged debtors and payables and working capital cash.

Appendix 2 demonstrates the work undertaken to date on the Power BI platform. The next step is to build in drill-down capabilities for each area; this has already been developed for 'Invoices on hold' and failures may now be targeted, such as top 10 suppliers whose invoices are on hold, together with reasons why, and departments failing on the 'No Purchase Order - No Pay' policy.

### **➤ Month end balance sheet closedown system**

The balance sheet review process is currently lengthy and time-consuming, as it typically involves running reports to check transactions and balances from a range of systems (Oracle Financials, feeders). The manual spreadsheet provides limited visibility of the status and quality of the process, resulting in an increased level of additional manual work to create and track activities and correct journals. This period can involve long hours, intense collaboration, frustrating bottlenecks and tedious manual reconciliations, which in turn places considerable resource pressures on organisations every month.

There are currently 445 balance sheet reconciliations being produced on a monthly basis, all of which require approval by a senior member of staff before they are scrutinised for completeness by the Financial Accounting Team.

The Financial Accounting Team often have to query sign off, insufficient detail on the reconciliation, imbalances, incorrect subjectives used; all of which are time consuming, but liable to scrutiny by Internal Audit and essential in ensuring the integrity of the balance sheet.

The HB is looking to procure a balance sheet closedown system. This will ensure that the balance sheet reconciliations can be undertaken with greater transparency, efficiency and completeness

and provide greater assurance that all controls and approvals are in place. The objectives of the proposed solution will be to improve confidence in the close process whilst delivering value through:

- a) Supporting accounting standardisation, simplification and optimisation;
- b) Delivering enhanced financial controls and compliance;
- c) Improving speed and efficiency of financial close cycle and reporting;
- d) Ensuring demonstrable and auditable accounting integrity;
- e) Providing greater financial visibility and management;
- f) Providing intuitive solutions, user experience and seamless data interfaces.

The procurement is due to be concluded by November 2020, with the system implementation timeline to be agreed (the intention is for it to be in place prior to the start of the new financial year). HDdUHB will be the first HB in Wales to implement such a system.

### Argymhelliad / Recommendation

The Finance Committee is asked to :

- Note and discuss the balance sheet as at Month 6
- 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:	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:	856 (score 20) Ability to deliver the Financial Plan for 2020/21 646 (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: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve Population Health through prevention and early intervention
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<b>Gwybodaeth Ychwanegol: Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termau: Glossary of Terms:	Explanation of terms is included in 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) Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian: Financial / Service:</b>	Financial implications are inherent within the report.
<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	The impact on patient care is assessed within the savings schemes.
<b>Gweithlu: Workforce:</b>	Not applicable
<b>Risg: Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol: 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: 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: Privacy:</b>	Not applicable

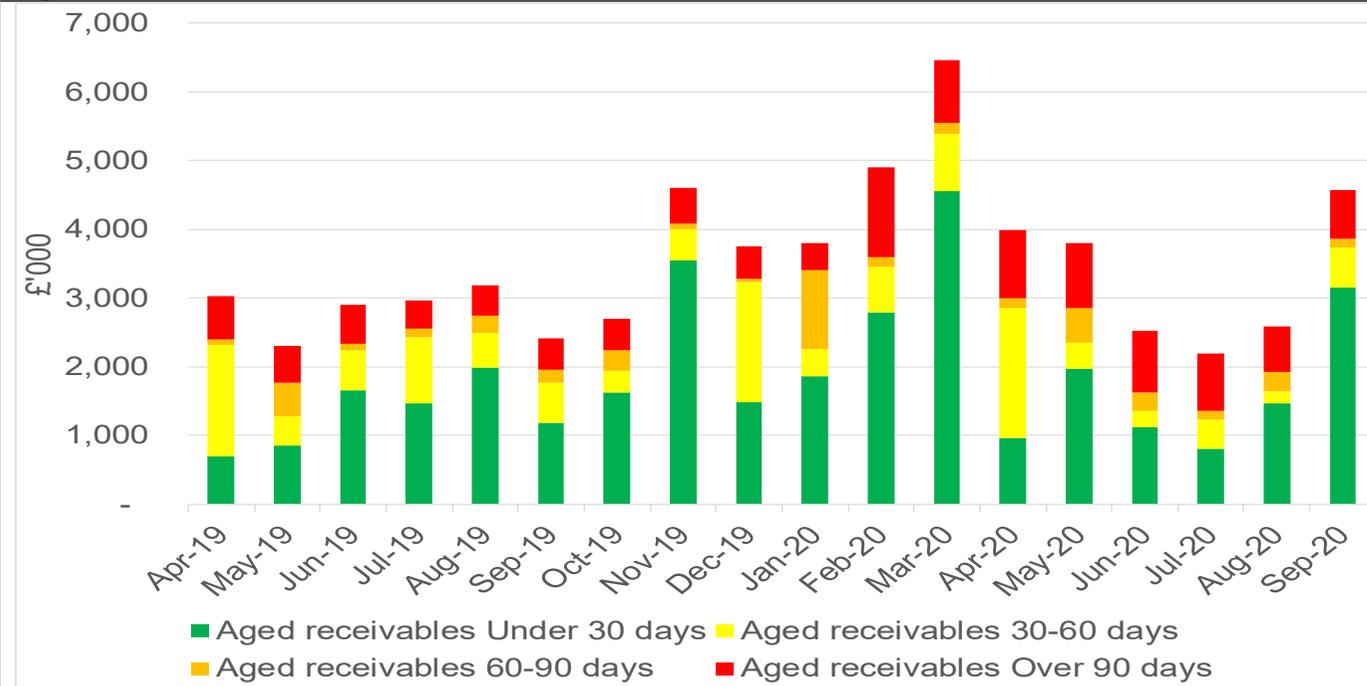
**Cydraddoldeb:  
Equality:**

Not applicable

## Appendix 1 - Balance Sheet

Statement of Financial Position	Opening Balance £'000	Month 6 £'000	Difference £'000	
<b>Non Current Assets</b>				
Property, plant and equipment	278,649	275,570	(3,079)	
Intangible assets	1,461	1,233	(228)	
Trade and other receivables	58,101	47,656	(10,445)	Decrease in the Welsh Risk Pool debtor as a result of closure of medical negligence claims.
<b>Non-Current Assets sub total</b>	<b>338,211</b>	<b>324,459</b>	<b>(13,752)</b>	
<b>Current Assets</b>				
Inventories	9,216	9,210	(6)	
Trade and other receivables	68,507	60,491	(8,016)	Decrease in Trade payables £4.2m, Non NHS accruals £11.8m (year end included an amount of £8.1m for a medical negligence accrual), offset by increases in Statutory pay deductions £5m (due to a timing difference ) and Other Payables £1.5m.
Cash and cash equivalents	1,654	1,903	249	
Non-current assets classified as held for sale	832	0	(832)	
<b>TOTAL ASSETS</b>	<b>418,420</b>	<b>396,063</b>	<b>(22,357)</b>	
Current Liabilities	119,136	111,231	(7,905)	
Provisions	39,837	37,477	(2,360)	Decrease in provision is due to change in number and value of medical negligence cases as a result of updated information from Welsh Risk Pool
<b>NET ASSETS LESS CURRENT LIABILITIES</b>	<b>259,447</b>	<b>247,355</b>	<b>(12,092)</b>	
<b>Non-Current Liabilities</b>				
Provisions	58,365	40,599	(17,766)	
<b>TOTAL ASSETS EMPLOYED</b>	<b>201,082</b>	<b>206,756</b>	<b>5,674</b>	
<b>FINANCED BY:</b>				
<b>Taxpayers' Equity</b>				
General Fund	173,027	172,397	(630)	
Revaluation Reserve	28,055	34,359	6,304	Due to indexation in the financial year
<b>TOTAL TAXPAYERS' EQUITY</b>	<b>201,082</b>	<b>206,756</b>	<b>5,674</b>	

## Aged Receivables



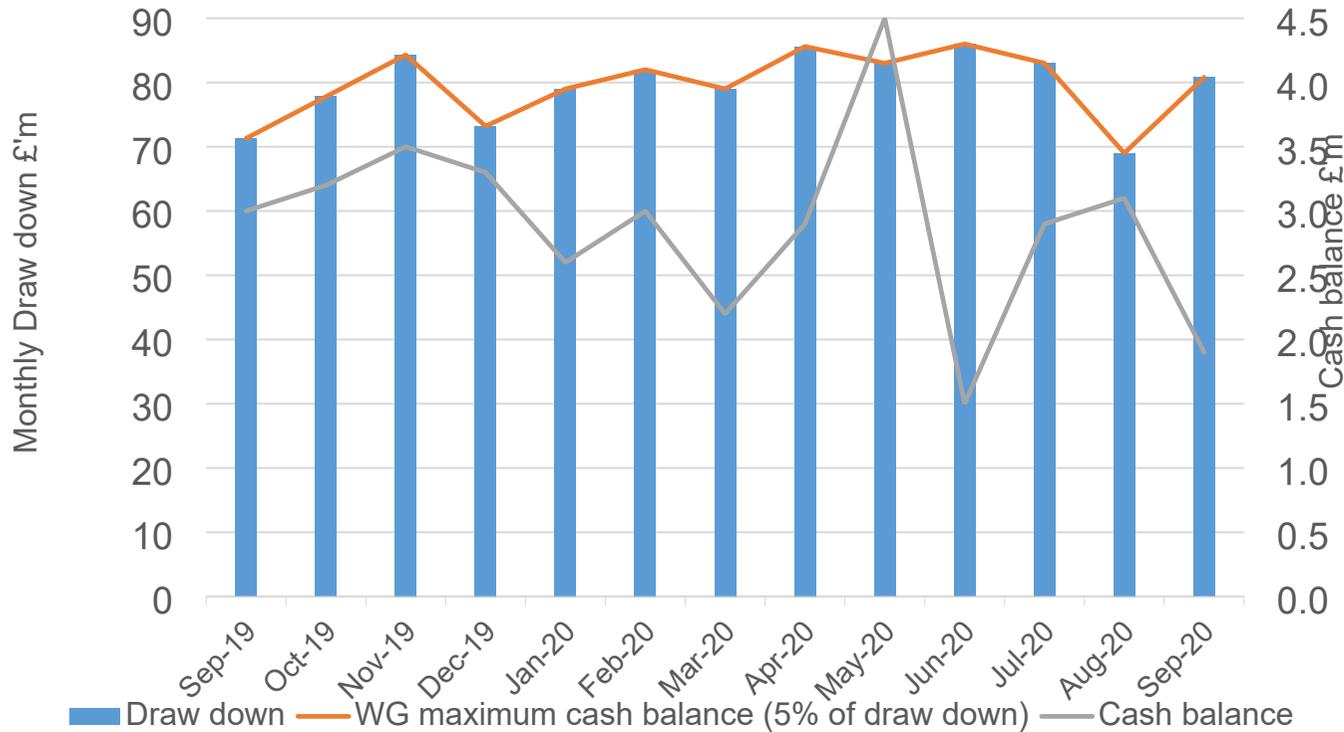
### Receivables (Current and non current) as at M6 is £108m

Aged Receivables graph shows that at the end of September 2020 there was £4.6m of debt owed to the Health Board, of this £3.1m was under 30 days old.

The increase in the period up to the end of September was due to £0.81m of Quarter 2 invoices raised as well as £0.78m of NCA Activity invoices raised.

The balance of Receivables is made up of WRP debtor £91.6m, Accruals £6m, prepayments £5.9m and Bad debt provision of £(1)m

## Cash



### Cash at bank as at M6 is £1.9m

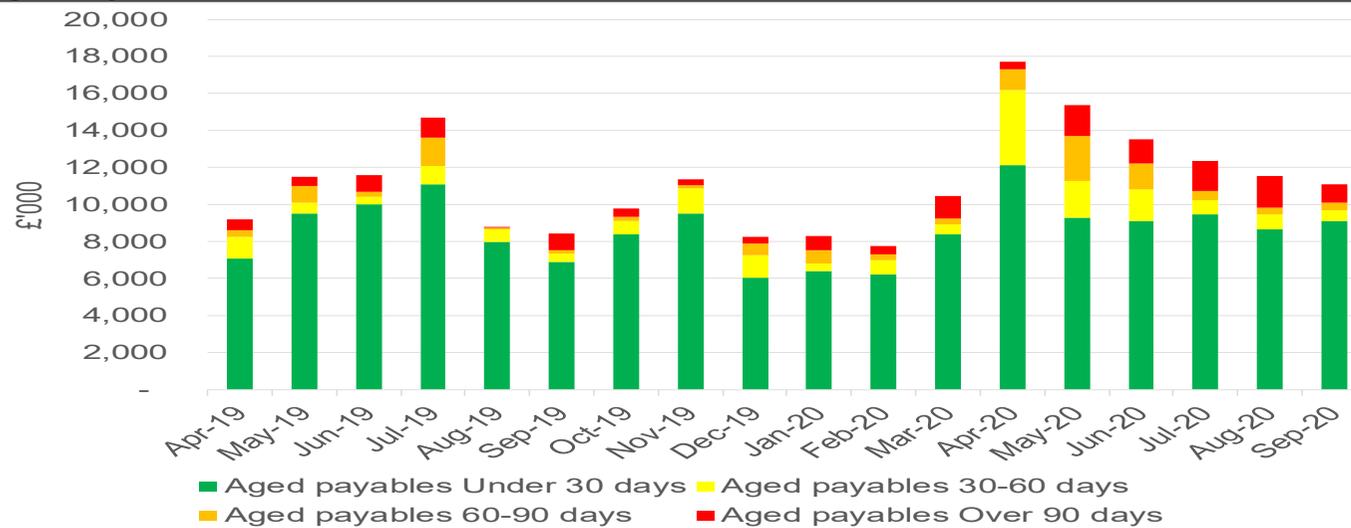
The closing balance of £1.9m did not exceed 5% of the total monthly draw down from Welsh Government.

Emergency cash of £2.5m was requested in September due to a significant medical negligence payment.

The Health Board has an approved cash limit of £903.5m split between revenue £876.9m and capital £26.6m.

Cumulative cash draw down to Month 6 is £489.96m, this includes the advance paid to Pharmacists in April 2020.

## Aged Payables



**Current Liabilities as at M6 is £108m**

The aged Payables as at 30<sup>th</sup> September 2020 shows £11.1m of unpaid supplier invoices in the Oracle financial ledger system, of these, £2m were over 30 days old, representing 18% of the overall outstanding number of invoices.

## Accruals

Accruals Breakdown	Month 6 £'000
GMS, Prescribing	34,300
CHC	8,100
PO Accruals	2,000
Process improvement team accruals (Nurse agency, locum, contract, non pay non contract)	11,600
Directorate accruals	11,100
ICF	1,200
Capital accruals	4,800
<b>Total Non NHS Accruals</b>	<b>73,100</b>

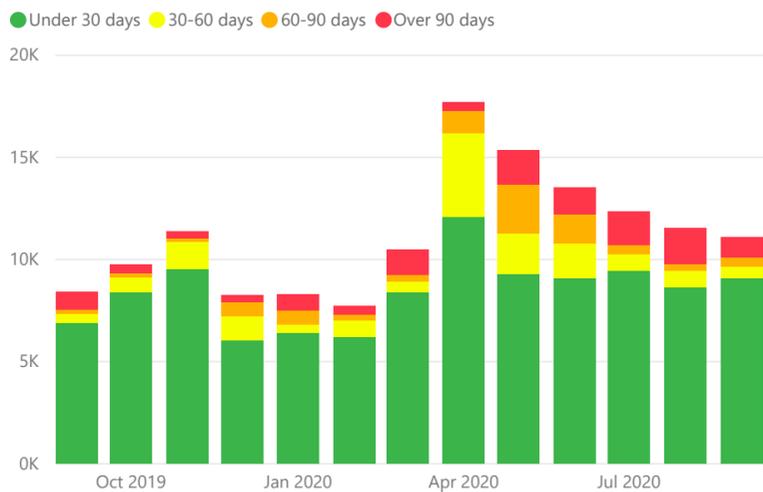
The balance of Payables is made up of £73.1m accruals (table), £16m statutory creditors (Tax, NI, Superannuation and other pay), £5m trade creditors, £7.5m other payables, and payments on account for prescribing drugs £(5)m.

<b>Provisions</b>			
<b>Breakdown of all Provisions</b>	<b>Opening Balance £'000</b>	<b>Month 6 £'000</b>	<b>Difference £'000</b>
Clinical negligence	92,541	70,745	(21,796)
Personal injury	3,203	5,014	1,811
Defence fees	1,673	1,526	(147)
Pensions	29	35	6
CHC	756	756	0
<b>Total Provisions</b>	<b>98,202</b>	<b>78,076</b>	<b>(20,126)</b>

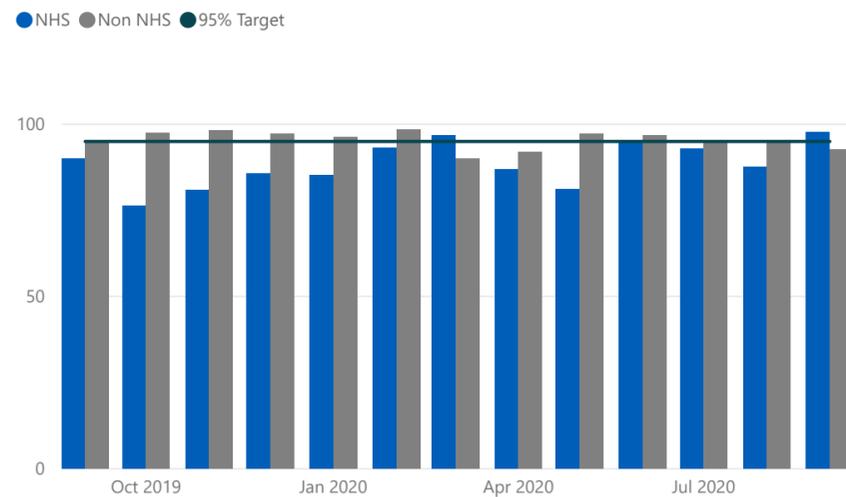
**Total provisions (Current and non current ) is £78m**

The movement is mainly due to one case where the provision reduced by £15.8m and a large payment made for £6.6m this financial year.

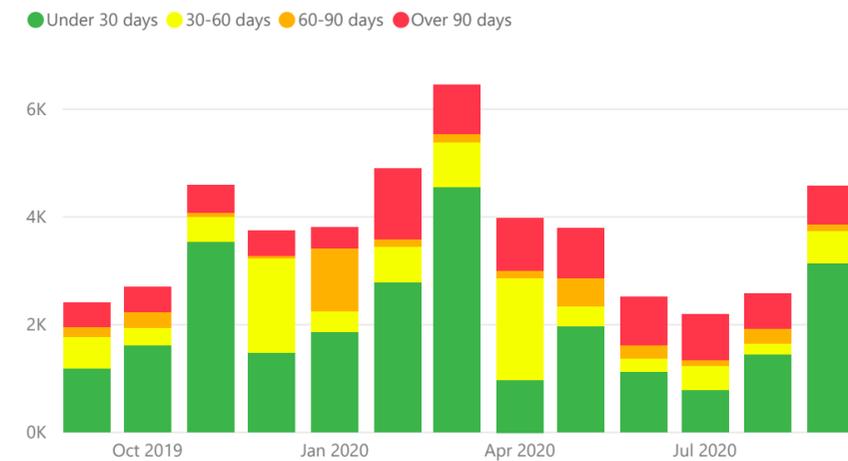
## Aged Payables



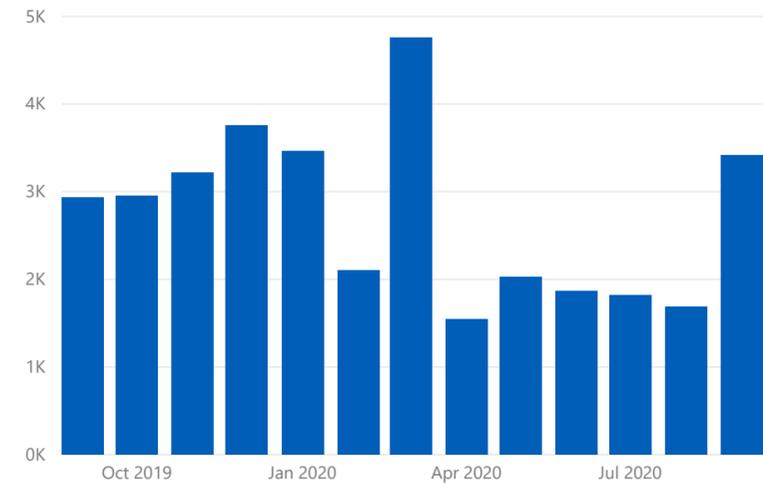
## Public Sector Payment Policy (PSPP)



## Aged Receivables



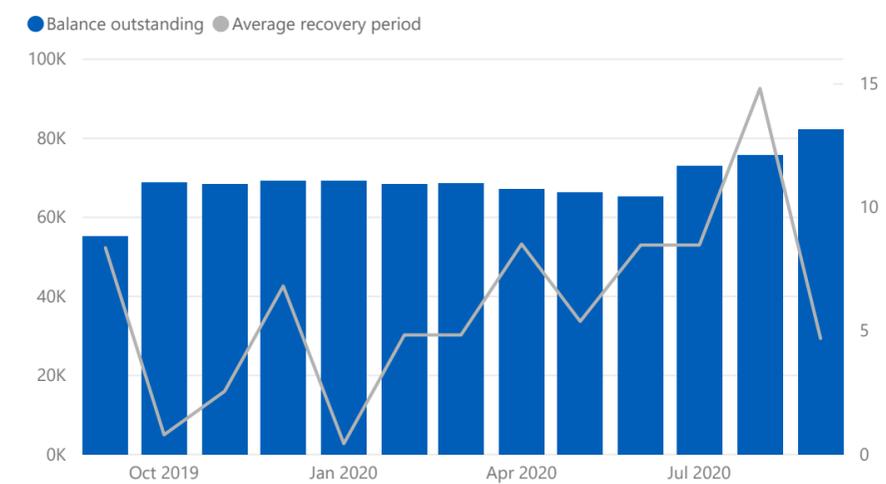
## On Hold Volume



## Working Capital

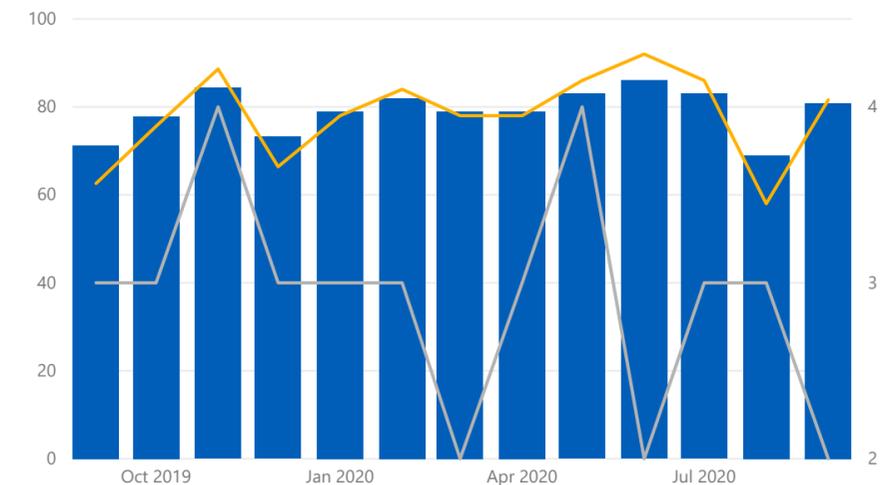


## Overpayments of Salaries



Summarised	Opening Balances £'000	Period 6 £'000	Movement from Opening £'000
Fixed assets	279	276	3
Other non current assets	60	49	11
<b>Total Non Current Assests</b>	<b>338</b>	<b>324</b>	<b>14</b>
Cash	2	2	1
Inventories	9	9	0
Other financial assets	0	0	0
Trade and other receivabl...	69	60	8
<b>Total Current Assets</b>	<b>80</b>	<b>72</b>	<b>9</b>
<b>Total Assets</b>	<b>418</b>	<b>396</b>	<b>22</b>
Provisions	40	37	2
Trade and other payables	119	111	8
<b>Total Current Liabilities</b>	<b>159</b>	<b>149</b>	<b>10</b>
<b>Total Net Assets less Lia...</b>	<b>259</b>	<b>247</b>	<b>12</b>
Provisions	58	41	18
Trade and other payables	0	0	0
<b>Total Non-current liabilities</b>	<b>58</b>	<b>41</b>	<b>18</b>
<b>Total Assets Employed</b>	<b>201</b>	<b>207</b>	<b>-6</b>
General Fund	173	172	1
Revaluation reserve	28	34	-6
<b>Total Taxpayers' equity</b>	<b>201</b>	<b>207</b>	<b>-6</b>

## Cash WG Allocation





Aged Payables



Aged Receivables



PSPP



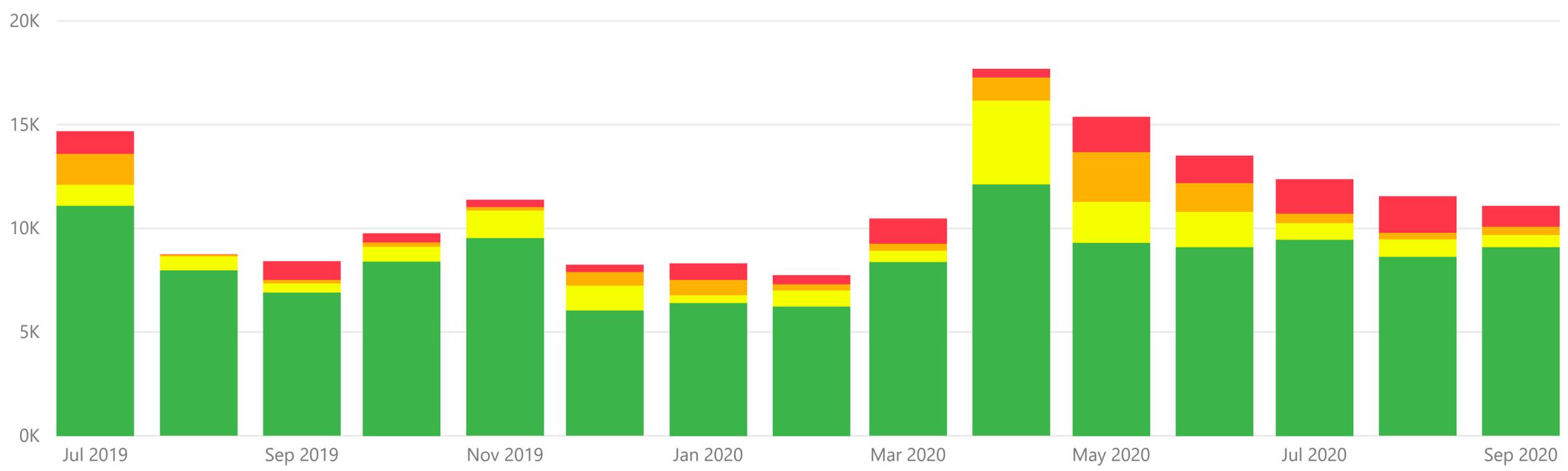
Cash



Working Capital

## Aged Payables

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



As at 30th September there were £11.1m of unpaid supplier invoices in the Oracle financial ledger system (£12.4m at the end of July), of these, £2m were over 30 days old, representing 18% of the overall outstanding number of invoices (£2.9m at the end of July)



Aged Payables



Aged Receivables



PSPP



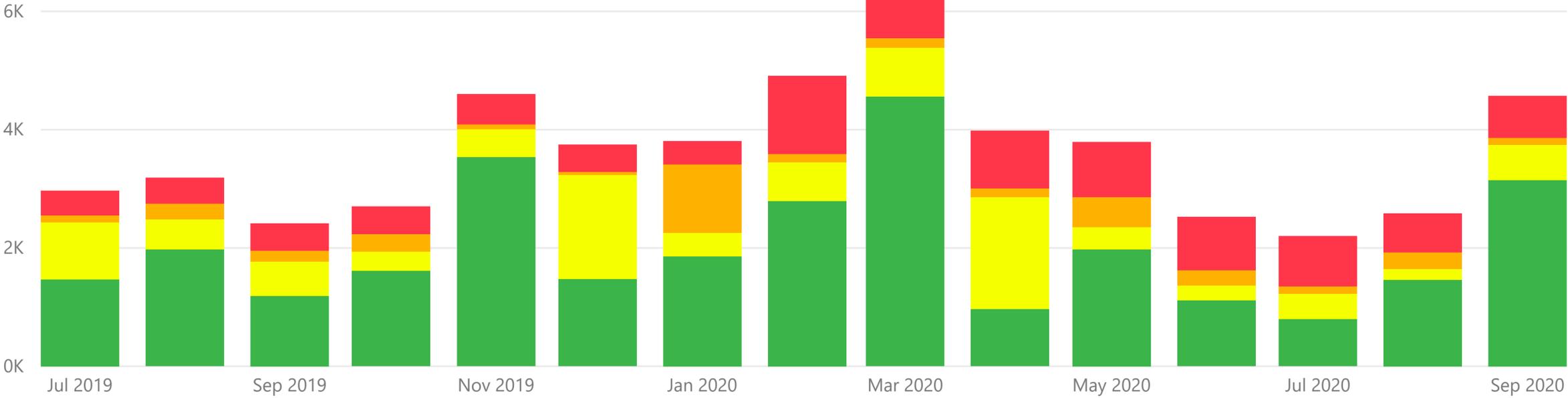
Cash



Working Capital

### Aged Receivables

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



A sum of £37,489 is being repaid directly to the Health Board by instalment or salary deduction.

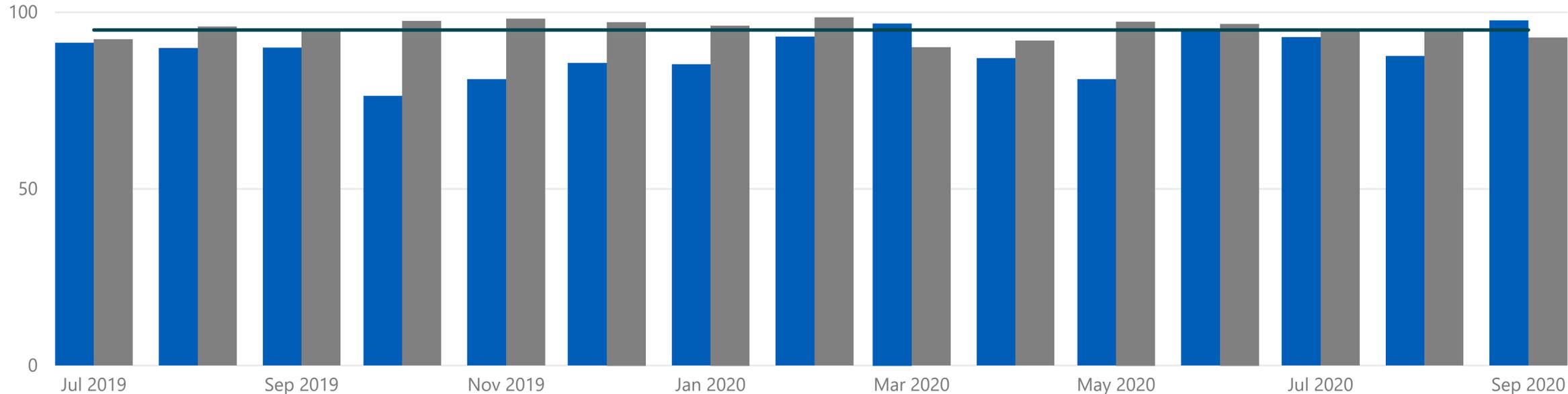
As at the end of September 2020 there was £4.6m (31st July 2020 £2.2m) of debt owed to the Health Board, of this £3.1m (69%) (31st July 2020 £0.8m, 36%) was under 30 days old.

Debts in excess of 90 days up to 30th September 2020 amounted to £0.7m (31st July 2020 £0.8m). Of this sum, £0.2m is being managed on our behalf by our debt recovery agency, CCI.

The increase in the period up to the end of September was due to £811k of Quarter 2 invoices raised as well as £782k of NCA Activity invoices raised.

## Public Sector Payment Policy (PSPP)

● NHS ● Non NHS ● 95% Target



Aged Payables



Aged Receivables



PSPP



Cash



Working Capital

The main reason for failure was due to staffing issues in PPH pharmacy with a number of staff in the Homecare team affected during the Covid-19 pandemic having to self-isolate and systems not in place to enable home working. An urgent meeting took place on the 6th October 2020 with representatives from the Finance team, Head of Medicines Management and other pharmacy staff members and NWSSP – Accounts Payable to agree an action plan. The Head of Medicines Management has re-prioritised staff workloads to clear the backlog by the end of October. This will however mean the improvement in the PSPP target will not be evidenced until the November PSPP figures are produced

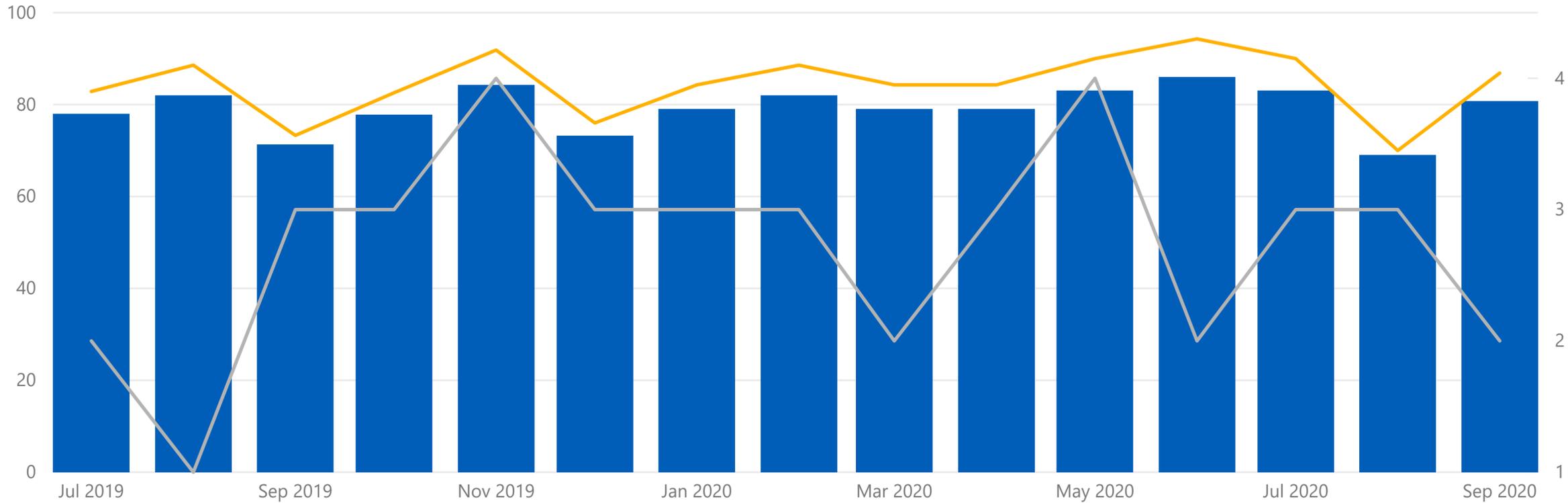
The Health Board did not achieve its PSPP target of paying 95% of its non-NHS invoices within 30 days in September 2020 with 92.78%, and a cumulative position of 94.7%.

## Working Capital



As at the end of September the cash balance is £1.9m (£3.1m at the end of August). Balances owed to the Health Board at the end of September are £4.6m (£2.6m 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 £11m ( £11.6m in August).

Cash WG Allocation



Aged Payables



Aged Receivables



PSPP



Cash



Working Capital

The Health Board has as approved cash limit of £903.5m split between revenue £876.9m and capital £26.6m. The amount of cash drawn down in total up to the end of September is £489.96m. The closing balance of £1.9m did not exceed 5% of the total monthly draw down from Welsh Government.