

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 January 2021
TEITL YR ADRODDIAD: TITLE OF REPORT:	Balance Sheet Analysis – Month 9 2020/21
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	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												
<u>Sefyllfa / Situation</u>												
The purpose of the report is to outline Hywel Dda University Health Board's (HDdUHB) Balance Sheet position as at Month 9, 2020/21 and to provide an explanation of key movement and outline the monthly scrutiny of the Balance Sheet and further developments.												
<u>Cefndir / Background</u>												
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.												
<u>Asesiad / Assessment</u>												
<u>Month 9 Balance Sheet</u>												
The Month 9 Balance Sheet, with explanation of key variances, is shown in detail in Appendix 1. The movement of £2m from the opening position can be summarised as follows:												
<table border="1"> <thead> <tr> <th>Balance Sheet Heading</th> <th>£'m</th> </tr> </thead> <tbody> <tr> <td>Fixed Assets</td> <td>5</td> </tr> <tr> <td>Trade Receivables (Current and Non Current)</td> <td>30</td> </tr> <tr> <td>Current Liability</td> <td>(14)</td> </tr> <tr> <td>Provisions</td> <td>(19)</td> </tr> <tr> <td>Net Movement</td> <td>2</td> </tr> </tbody> </table>	Balance Sheet Heading	£'m	Fixed Assets	5	Trade Receivables (Current and Non Current)	30	Current Liability	(14)	Provisions	(19)	Net Movement	2
Balance Sheet Heading	£'m											
Fixed Assets	5											
Trade Receivables (Current and Non Current)	30											
Current Liability	(14)											
Provisions	(19)											
Net Movement	2											
<u>Balance Sheet Review Process and Further Developments</u>												
Maintenance of the Balance Sheet is key to ensuring control and integrity of the Financial Ledger.												

The deadline for preparation and approval of all reconciliations is now incorporated into the Finance Department'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.

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

➤ **Power BI Analytics**

Alongside 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.

Appendix 2 shows the Power BI platform for Balance Sheet analysis. In addition to the analysis shared at the Finance Committee meeting held on 22nd October 2020, Medical Negligence and Personal Injury provision is now included within this pack.

➤ **Month End Balance Sheet Closedown System**

As reported at the October 2020 Finance Committee meeting, the Health Board is looking to procure a Balance Sheet closedown system.

The procurement process has concluded and Blackline Solutions (Blackline) has been the successful bidder. Blackline has recently implemented this solution at National Services Scotland and HDdUHB is the first Health Board in Wales to implement such a solution.

The supply was able to be made via direct award against G-Cloud Framework, but to ensure value for money three alternative suppliers were evaluated. Blackline scored best on both quality and financial scores, and an initial 3-year contract will be entered into, the value of which is £225k plus VAT, including set up costs.

This will ensure that the Balance Sheet reconciliations can be undertaken with greater transparency, efficiency and completeness and will provide greater assurance that all controls and approvals are in place. The objectives of the proposed solution will be to improve confidence in the closedown 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) Providing demonstrable and auditable accounting integrity;
- e) Providing greater financial visibility and management;
- f) Providing an intuitive solution, improved user experience and seamless data interfaces.

The implementation will take circa 3-4 months, and it is anticipated that the solution will be in place by June 2021, given the requirement to prioritise finalisation of the accounts in April and May 2021

Argymhelliad / Recommendation

Finance Committee is asked to:

- Note and discuss the Balance Sheet as at Month 9
- 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: 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 Termiau: Glossary of Terms:	Explanation of terms is included in the main body of the report.

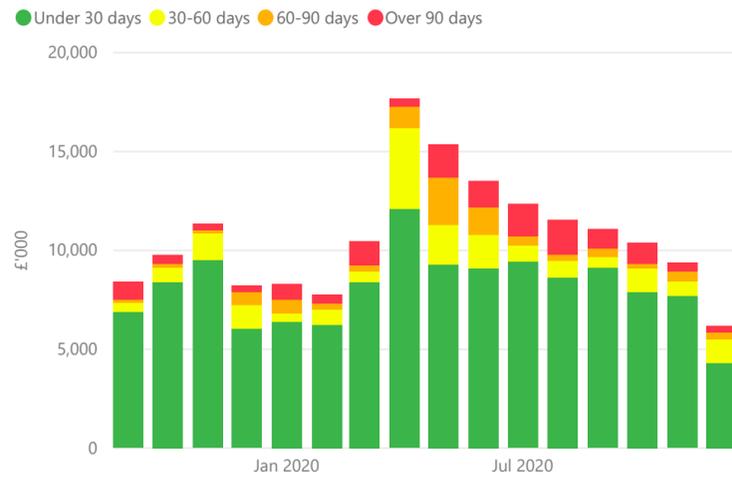
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Executive Team
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Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	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:	Not applicable
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

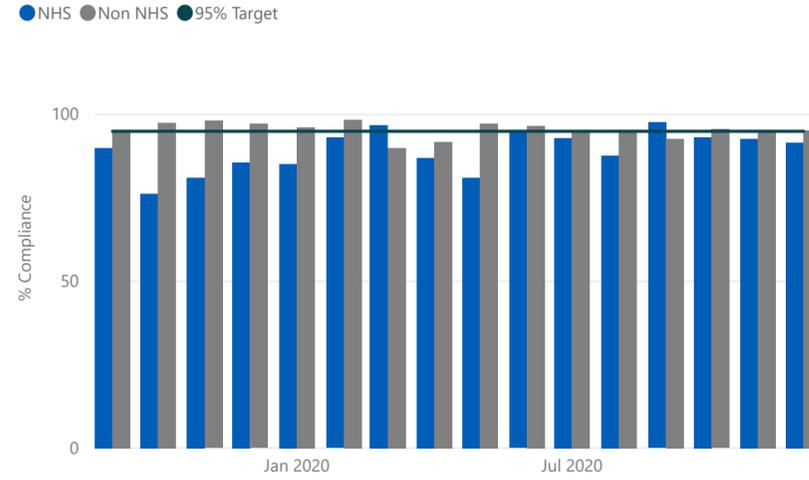
Appendix 1 - Balance Sheet

Statement of Financial Position	Opening Balance £'000	Month 9 £'000	Difference £'000	
Non Current Assets				
Property, plant and equipment	278,649	273,876	4,773	Movement in the Fixed Assets due to in year additions and indexation offset by depreciation and impairments of first time valuations of capital schemes
Intangible assets	1,461	1,119	342	
Trade and other receivables	58,101	43,254	14,847	Decrease in the Welsh Risk Pool debtor due to closure of medical negligence claims
Non-Current Assets sub total	338,211	318,248	19,963	
Current Assets				
Inventories	9,216	9,550	(334)	The movement in Current Liabilities is mainly attributable to Non NHS accruals as the opening balance included an amount of £8.1m for a medical negligence accrual, offset by increases in Other Payables £2.8m
Trade and other receivables	68,507	53,114	15,393	
Cash and cash equivalents	1,654	2,310	(656)	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
Non-current assets classified as held for sale	832	392	440	
TOTAL ASSETS	418,420	383,614	34,806	Due to indexation in the financial year
Current Liabilities	119,136	105,529	(13,607)	
Provisions	39,837	37,765	(2,072)	
NET ASSETS LESS CURRENT LIABILITIES	259,447	240,320	19,127	
Non-Current Liabilities				
Provisions	58,365	40,911	(17,454)	
TOTAL ASSETS EMPLOYED	201,082	199,408	1,674	
FINANCED BY:				
Taxpayers' Equity				
General Fund	173,027	168,368	4,659	
Revaluation Reserve	28,055	31,041	(2,986)	
TOTAL TAXPAYERS' EQUITY	201,082	199,408	1,674	

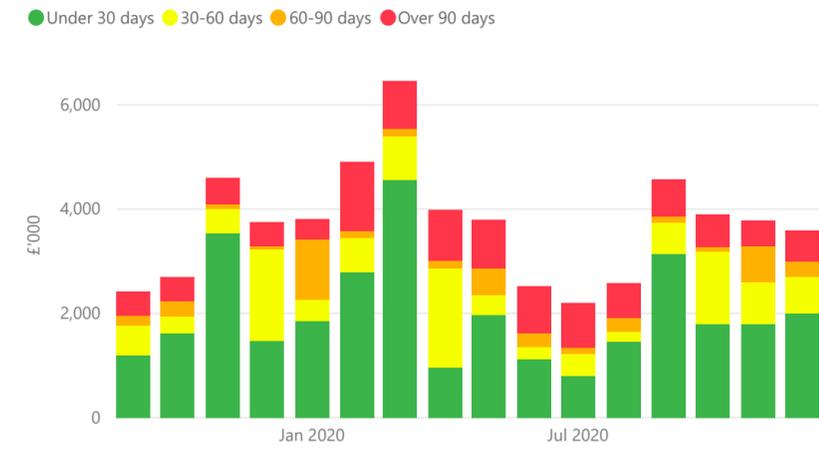
Aged Payables



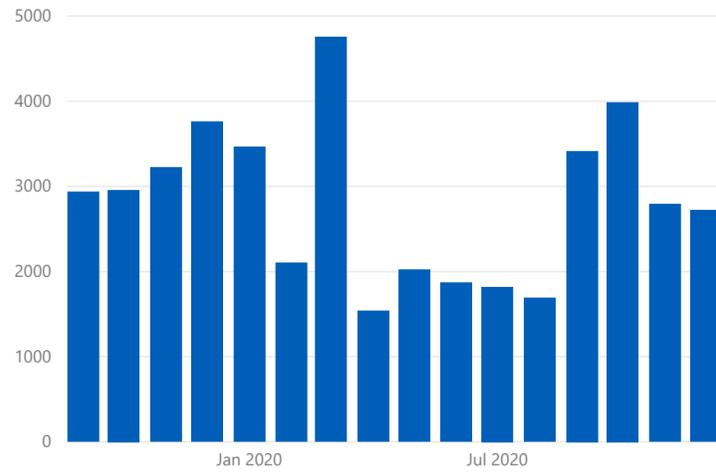
Public Sector Payment Policy (PSPP)



Aged Receivables



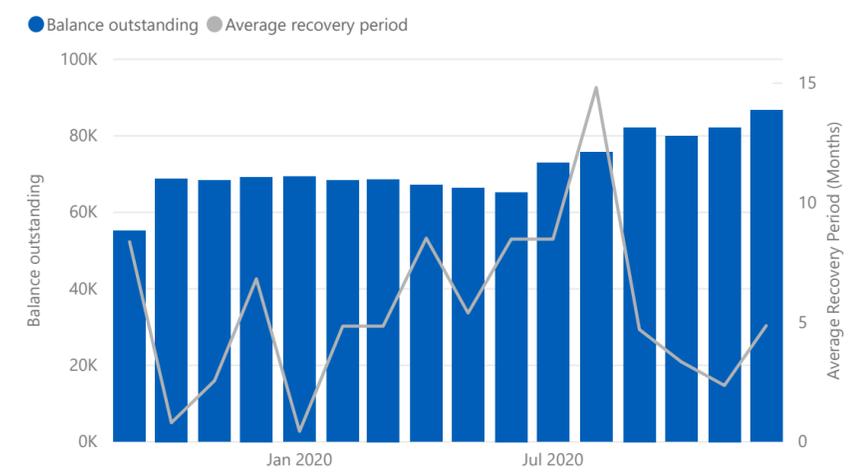
On Hold Volume



Working Capital

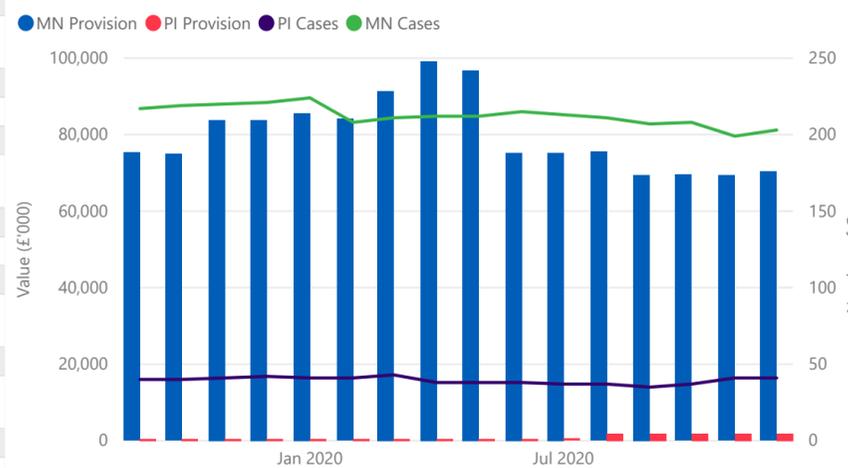


Overpayments of Salaries

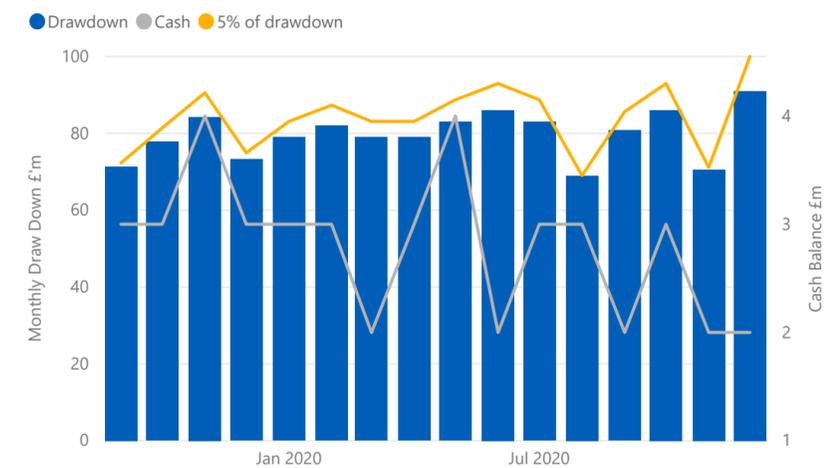


Summarised	Opening Balances £'000	Period 9 £'000	Movement M9 from Opening £'000
Fixed assets	279	274	5
Other non current assets	60	44	15
Total Non Current Assets	338	318	20
Cash	2	3	0
Inventories	9	10	0
Other financial assets	0	0	0
Trade and other receivables	69	53	15
Total Current Assets	80	65	15
Total Assets	418	384	35
Provisions	-40	-38	-2
Trade and other payables	-119	-106	-14
Total Current Liabilities	-159	-143	-16
Total Net Assets less Liabilities	259	240	19
Provisions	-58	-41	-17
Trade and other payables	0	0	0
Total Non-current liabilities	-58	-41	-17
Total Assets Employed	201	199	2
General Fund	173	168	5
Revaluation reserve	28	31	-3
Total Taxpayers' equity	201	199	2

Medical Negligence & Personal Injury



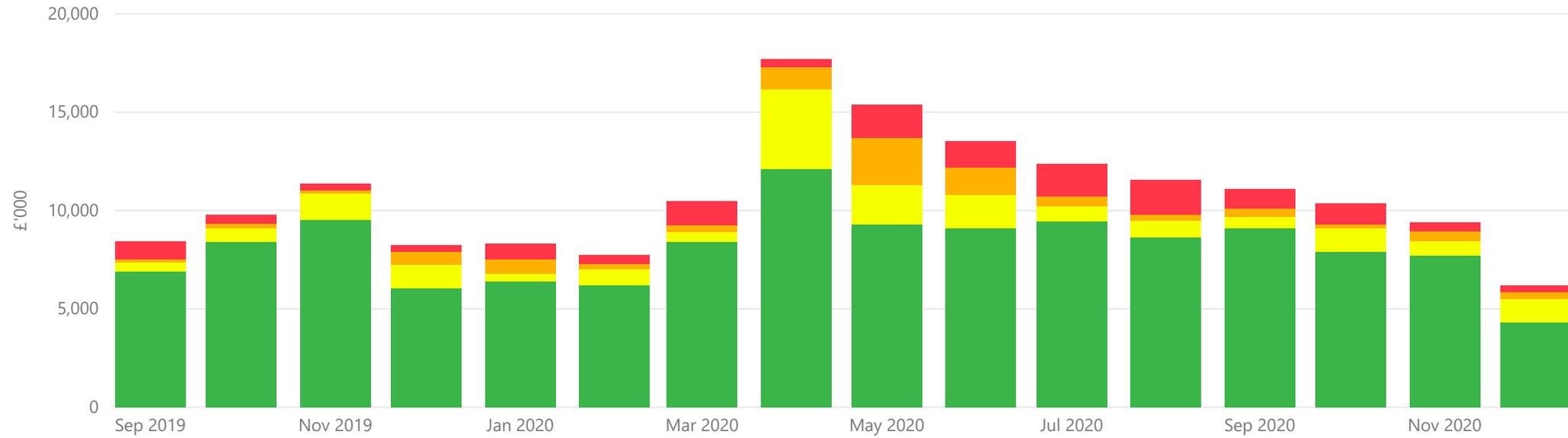
Cash WG Allocation



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

Aged Payables

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

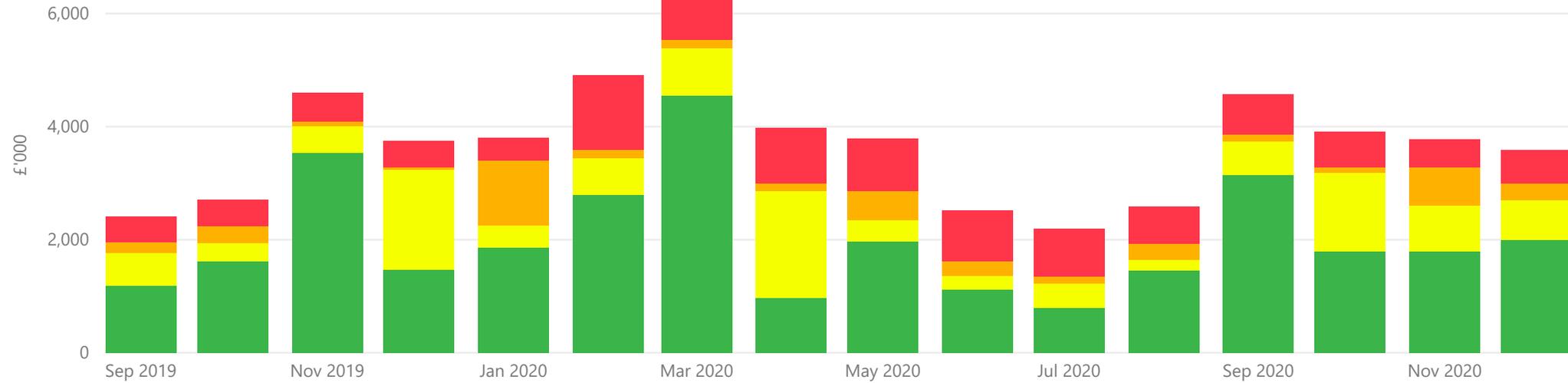


As at 31st December there were £6.2m of unpaid supplier invoices in the Oracle financial ledger system (£11.1m at the end of September), of these, £1.8m were over 30 days old, representing 30% of the overall outstanding number of invoices (£2m at the end of September).

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

Aged Receivables

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



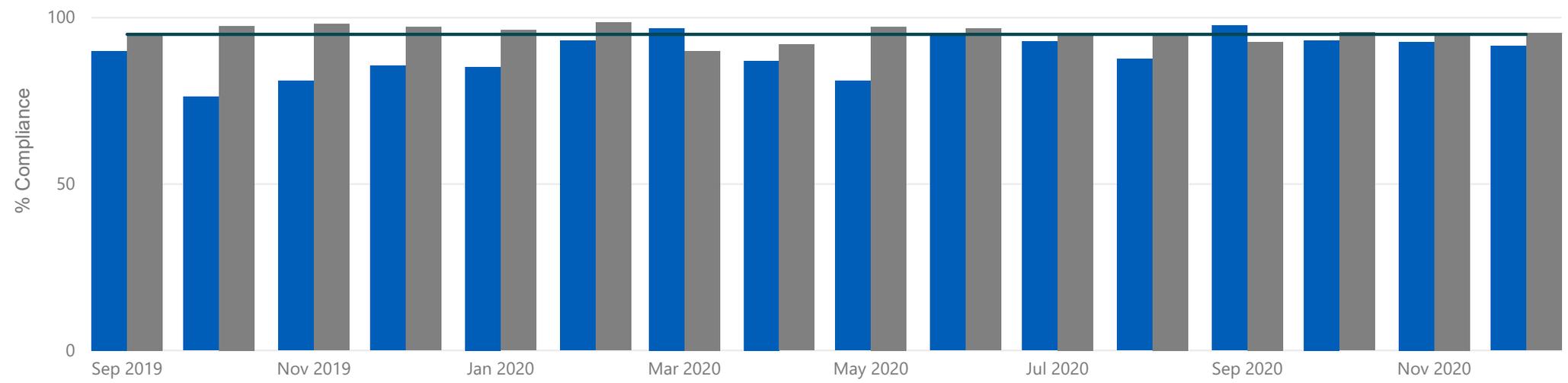
As at the end of December 2020 there was £3.6m (30th September 2020 £4.6m) of debt owed to the Health Board, of this £2m (56%) (30th September 2020 £3.1m, 69%) was under 30 days old.

Debts in excess of 90 days up to 31st December 2020 amounted to £0.6m (30th September 2020 £0.7m). A sum of £0.2m is currently being managed on our behalf by our debt recovery agency, CCI. A sum of £49,419 is being repaid directly to the Health Board by Instalment or Salary Deduction.

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

Public Sector Payment Policy (PSPP)

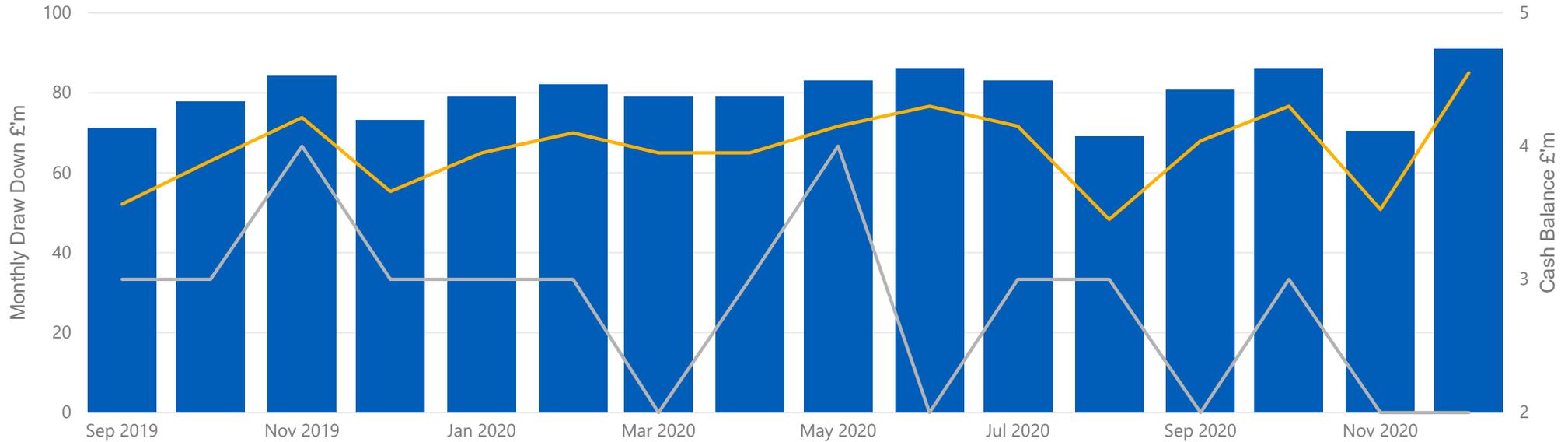
● NHS ● Non NHS ● 95% Target



The Health Board achieved its PSPP target of paying 95% of its non-NHS invoices within 30 days in December 2020 with 95.31%, and a cumulative position of 94.96%. Compliance for Quarter 3 was 95.39% (94.32% for Q2).

Cash WG Allocation

● Drawdown ● Cash ● 5% of drawdown



The Health Board has as approved cash limit of £963.9m split between revenue £935.2m and capital £28.7m. The amount of cash drawn down in total up to the end of December is £737.46m. The closing balance of £2.3m did not exceed 5% of the total monthly draw down from Welsh Government.



Aged Payables



Aged Receivables



PSPP



Cash

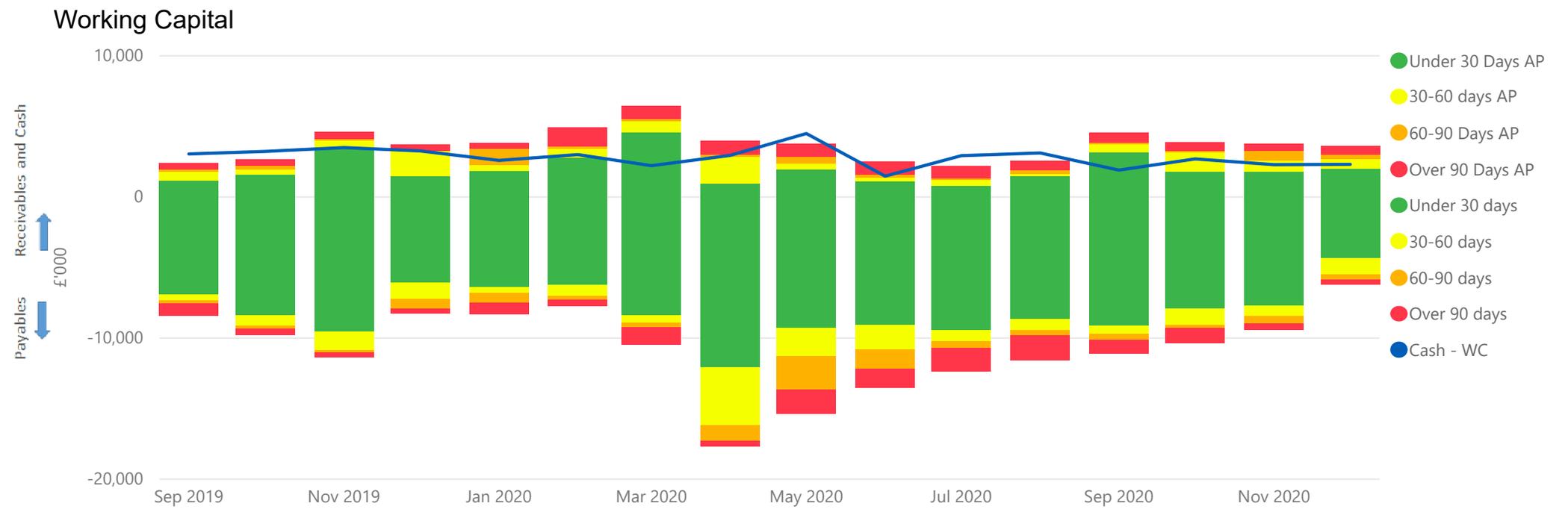


Working Capital



Medical Negligence

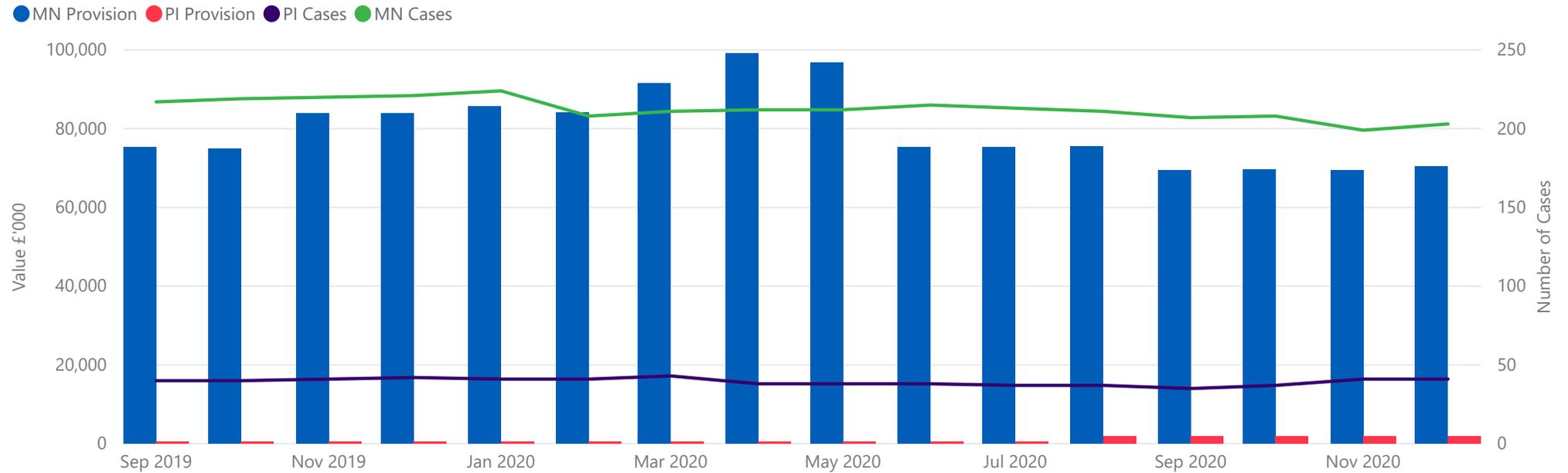
-  Aged Payables
-  Aged Receivables
-  PSPP
-  Cash
-  Working Capital
-  Medical Negligence



As at the end of December the cash balance is £2.3m (£2.2m at the end of November). Balances owed to the Health Board at the end of December are £3.6m (£3.8m in November). It is imperative that this is collected promptly to reduce reliance on cash support from WG. Balances owed to suppliers at the end of December are £6.2m (£9.4m in November).

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

Medical Negligence & Personal Injury



The movement in the provision for medical negligence cases from year end is £21.1m. This is mainly due to the transfer of a case to Welsh Risk Pool to be paid via a periodic payment order £8.1m, two large payments made £7.1m and £6.6m offset by a small reduction in the number of cases.

The movement in the provision for personal injury cases from year end is £1.8m. This is due to an increase in provision for 1 case.