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Dyddiad/Date: 13th December 2022

Mrs Andrea Hughes
HSSDG – Head of NHS Financial Management
Welsh Government
Sarn Mynach
Llandudno Junction
Conwy, LL31 9RZ

Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 30th NOVEMBER 2022

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 30th November 2022. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 25th November 2022.

1. Movement of Opening Financial Plan to Forecast Outturn (Table A)

As reported from Month 4, following confirmation from Welsh Government (WG) of an additional recurrent allocation of £24.4m the Health Board (HB) updated its 3-year recovery and sustainability plan, which was approved by the Board on the 27th July 2022. The updated financial plan presents a balanced financial position for 2022/23, with a summary provided below.

Financial Plan 2022-23	£m
Opening deficit	24.4
FY21 savings gap	17.7
FY22 savings gap	0.0
2022/23 opening position	42.1
WG Allocation applied against sustainability	(12.4)
Additional WG allocation applied against sustainability	(24.4)
Savings required to manage FY21 Savings Gap	(5.3)
2022/23 underlying position after sustainability application	0.0
Cost pressures - National - core	7.1
Cost pressures - inflation	9.9
Cost pressures - demand growth	7.4
Investment decisions - 2022-23	7.0
Application of core WG funding based on 2%	(9.7)
CIPs - Service Transformation 2.5%	(17.0)
CIPs - General Savings 1.5%	(4.7)
Deficit/(surplus) for year 2022-23 - base plan	(0.0)

As per Action Point 7.3 whilst the Health Board continues to strive to achieve delivery of the recurrent savings, the figures previously included in Table A have been removed in full so the recurrent savings on Table A is fed solely from Table C3, creating an underlying deficit as reporting in Table A1. However, of note is that the most recent Savings PMO Report (which reports weekly updates on savings delivery; summarised in the table below) indicates that including red pipeline schemes the Health Board is working on delivering £23.5m recurrently, which would leave an underlying deficit of £3.5m. The Health Board will continue to focus on delivering the recurrent value before the end of the financial year.

Improvement in Recurrent Delivery Since Month 3:

Recurrent Schemes	Month 3 £M	Month 4 £M	Month 5 £M	Month 6 £M	Month 7 £M	w/c 30/11/22 £M
Green & Amber	11.6	15.4	17.5	20.3	21.3	21.3
Red	8.9	6.8	6.6	6.1	5.9	2.2
Total Forecast Delivery	20.5	22.2	24.1	26.4	27.2	23.5
Increase in Delivery from Month 3	0.0	1.7	3.6	5.9	6.7	3.0

(Action Point 7.3) As part of the Mid-Year review the Health Board outlined the operational pressures above plan and the opportunities primarily from the balance sheet to support the delivery of the financial position. This was reflected in a number of scenarios which was dependent of the performance of the Service Groups to deliver the outturn targets set in September 2022. A simplified version of the original planning scenario (Version A) is provided below and has been included in Table A. Version B in the table below includes potential and current pressures as a result of the Month 7 and 8 position specifically linked to the Morriston Service Group and the additional release of balance sheet opportunities. These opportunities continue to be reviewed as we work on ensuring a robust balance sheet position for the 2022/23 Accounts, along with factoring in slippage on planned investments. As we work through how these will be released into the position we will update Table A. For Month 8 the information in Version B links to the additional table in Section 4 and the actions required to reduce £6.10m and as well as directly to the risks in Table A2:

	A. Plan Based on Targets Set September 2022 £M	B. Modelling Operational Position based Mth 7-8 Outturn £M
Original Target (Inc savings delivery)	9.00	9.00
Operational Pressures	-	10.55
Operational Pressure Growth Morriston Service Group	-	5.00
Transfer Prescribing from COVID	5.60	5.60
Prescribing Increases (NCSO)	-	1.20
Total Pressures	14.60	30.15
Release B/S Annual Leave Accrual for Prescribing #1	- 5.60	- 5.60
Release B/S Annual Leave Accrual Pressures from Mth 2 onwards #1	- 3.00	- 3.00
Release B/S Annual Leave Accrual Est. Balance #1	- 1.30	- 1.30
Release B/S Other Potential 2022/23 Accruals #2	- 2.70	- 12.15
Additional Savings Target #3	- 2.00	- 2.00
Opportunities Identified to Date	- 14.60	- 24.05
Potential Outcome Financial Position - No Additional Action	-	6.10

#1 - transacted and detailed in Table C3 and Table A

#2 - being finalised before transacted in Mth 9-11

#3 - reflected in the ledger and tracked

2. Underlying Position (Table A1)

For Month 8 this table now shows an underlying issue £7.750m, (as opposed to the value reported in the table above taken from the last Savings PMO reports), which links directly from table A and is a result of non-delivery of recurrent savings reflected in table C3. Any recurrent issues linked to the operational pressures will be assessed as part of the ongoing IMPT Financial Planning work currently underway.

3. Risks & Opportunities (Table A2)

The risks and opportunities have been updated to reflect the challenges to the 31st March 2023 and align to the comments within Section 1 and 4 on the financial position and current variance. (Action point 7.4)

Risks:

A number of risks have been removed from Table A2, the most significant changes are: -

- LTA Go Live – the position is currently showing that under delivery by Swansea Bay University Health Board (SBUHB) as a provider will be offset by underperformance on contracts commissioned by SBUHB from other Health Boards (HBs). Therefore, this risk has been removed as it is currently mitigated along with the corresponding opportunity element. This will continue to be reviewed to ensure this position remains for the Q3/Q4.
- Extraordinary Pressures – as discussed at DOFs on 18/11/22 forecast costs associated with the three elements of extraordinary pressures have been removed from the table.
- Other risks – all other risks have been removed and partly reflected within position and also to ensure that the core risks to the position are the focus for the next 4 months.

To deliver the breakeven position based on the current operations pressures, specifically linked to the Morriston Service Group, there are a number of actions that will need to be achieved by the 31st March 2023. Therefore, the risks now reflected in table A2 are those key to the delivery of the financial position as detailed in section 1 and 4 of this report.

- CKS Challenge Joint Package Funding – the HB commissioned as independent assessment of Mental Health Joint packages of Care, which identified in Phase 1 £2.5m in 2022/23 the Health Board should not be contributing to, but that should be met by Social Care. Discussions are ongoing with the Local Authorities to ensure that 6 months of these costs are invoiced before the end of the financial year, creating a benefit of £1.250m.
- Financial Improvement Programme Morriston – as in previous returns the work on the operational pressures arising in Morriston have been outlined along with the 'Financial Improvement support' commissioned to deliver improvements in financial performance. £5m has been identified as an opportunity which will reduce run rates in the final 4 months, assuming that the current forecast does not deteriorate further. This is supported through Finance but can only be delivered by the Service

Group. Further details on the scrutiny, challenge and focus on this area is detailed in section 4.

- **COVID Recovery** – the current projections show that the financial impact of the recovery programme will be £1.5m above the £21.6m. The key message is that the programme must remain within the funding envelope as there is no further funding to support this. £1.5m of the £21.6m relates to the commencement of recruitment to posts linked to the Orthopaedic Theatres development in Neath Port Talbot Hospital (NPTH), which will become fully operational in Q1 2023/24. It is unlikely that the £1.5m will be required in full and so will reduce some of the forecast spend but not all. At present the £1.5m remains a risk to the organisation.
- **Prescribing** – the August PAR showed a stepped increase in costs, primarily driven according to the data from NCSO. The modelling indicates that this will continue for the remainder of the year resulting in an estimated £1.3m overspend for 2022/23. The September PAR has been received and the Pharmacy/Finance Teams are working through to assessment the impact and whilst early indications are that it was a slight improvement from August, the risk of £1.3m remains given the volatility of this area.
- **COVID Transition** – as per previous months linked to the spend detailed in Table B3.

Opportunities

- *Other Opportunities* – in addition to opportunities now recognised from slippage of schemes the discount rate for post-employment benefits was published in the Technical Accounting Update 2. This will create an I&E benefit in 2022/23, of potentially up to £1.5m based on an initial assessment. Further work required.
- *Underperformance on Services Commissioned by Swansea Bay HB* – removed as per comments above on LTA Go Live Risk.

4. Monthly Positions (Table B)

At the end of Month 8 the in-month position reported an overspend of £0.402m, taking the YTD position to £4.098m overspent. Detailed below in section 4 is further information on the variances which are contributing to the operational pressures seen and impacting on the forecast of the Health Board.

Linked to Section 1 and the fact that the HB is reporting a deficit of £4.1m at Month 8 the table below summarises how the Health Board moves from current deficit to balance by 31st March 2023. These are reflective of the risks detailed in section 3 above.

	£M
Potential Deficit (£4.1m extrapolated to Month 12)	6.10
Actions required Month 9-12:	
1.CKS Challenge Joint Package Funding	(1.25)
2. Financial Improvement Programme Morriston	(5.00)
3. Further Opportunities	(1.50)
Further Risks:	
1. Prescribing	1.30
Potential Risk Adjusted Forecast	(0.350)

Looking at trend information to fully understand what is driving the 2022/23 position is difficult as the previous 2 years do not give a good baseline upon which to make assumptions. One area which is contributing to the financial pressures and that has already been explored as part of the deep dive exercises and financial summit event undertaken in the summer is the movement in pay expenditures linked to the two points below. The table summarises, at a high level, a comparison of Month 8 2021/22 with Month 8 2022/23 using the Ledger/Dashboard information.

- **Increase in WTE**
 - Month 8 2021/22 WTE = 12,273
 - Month 8 2022/23 WTE = 12,622
 - Increase 349 WTE
 - Assuming an average of £0.045m per post these additional posts have the potential to increase spend over a full year by £15.7m.
- **Variable Pay**
 - Whilst the WTE and pay costs have increased this has not been reflective of a corresponding decrease in variable pay.
 - In looking at the cumulative spend at the same point in 2021/22 and 2022/23 variable pay has actually increased as detailed in the table below:

	2021/22 £M	2022/23 £M	Movement £M
Variable Pay Cumulative Spend to Mth 8	42.46	48.80	6.34
WLI Cumulative Spend to Mth 8	- 1.00	- 2.38	- 1.39
Variable Pay excluding WLI	41.46	46.42	4.96

Therefore, these two simple assessments on pay highlight the increasing growth in the overall position and the overall operation pressures seen in the last 12 months.

In addition to this and as referenced to in previous reports, the Mid-Year Review presentation and also the section below there are pressures in areas of non-pay when compared to 2021/22 and these areas are: -

- Clinical suppliers and consumables (including drugs)
- Premised & Fixed Plant linked to material costs
- Continuing Healthcare

Variances in Month 8

In summary the key issues from a variance perspective in month 8 were: -

- **Income - Overachieved in Month**
 - As in previous months.
- **Pay - Overspent in Month**
 - Variable Pay – overall variable pay was above Month 7, with £0.1m increase. There was a small reduction in Agency costs associated with both Medical and Non Medical Roles but increases in WLI's (linked to recovery) and Bank costs.
 - WTE - There was also an increase in the number of WTE by 112 between Month 7 and Month 8, which contributed to the increase in pay in month. This 112 WTE increase includes 8 additional medical posts and 60

registered nurses. The nurses will be linked to the student streamlining, who at the moment are not part of the rostered establishment and so are still covered by variable pay costs. In 2022/23 the WTE has increased by 230 staff since month 1 and whilst this is positive, as mentioned above has contributed to the increase in pay costs above previous years and above the IMPT, alongside an increase in the variable pay bill.

- Non Pay - Overspend in Month
 - In Month non pay pressures have reduced compared to previous months but the issues below are still contributing to the YTD position.
 - As per previous months whilst there were variances across all 89 lines that make up clinical consumables, the most significant pressures as in previous months were seen in M&SE General and Disposable. Morriston Service Group has also said they are undertaking significantly more theatre sessions than pre-pandemic, which as per the comments from last month will be contributing to some of this increase, alongside inflation.
 - As reported in previous months' areas such as establishment expenses and Premised & Fixed Plant (across multiple lines) are impacting on the non pay position.
 - As in previous months CHC continues to be a pressure for the Health Board, with a forecast for increases in both demand and price growth.
 - Savings – a key contributor to the improved non pay position was savings delivery. In month the non-delivery reduced to only £0.127m compared to £0.4m in Month 7. However cumulatively savings still represents £3.5m of the £5.0m YTD overspend.

Within the previous month reports are the full details of the actions being taken by the Health Board, since Q1 to support the position and the challenges. The information below only reflects updates and is not the full list: -

- Action: Independent, specialist financial improvement support has been identified to assist Morriston Service Group with its financial challenges. This support commenced on 12th September 2022.
Update: during November 2022 and following the Month 7 closedown there were a number of meetings with the Morriston Service Group, the independent specialist and Executive members, culminating in the (1) Performance meeting in the last week of November and (2) a clear action plan that has the potential to reduce spend by £5m (as per the table in section 4 and the £5m risk in section 3 / Table A2). However, following another disappointing month at the end of November 2022, the DOF met with the Morriston Service Group and its senior managers and clinicians face to face on the 8th December 2022 to discuss the increasingly concerning position and progress against the action plan. At the time of writing this report feedback from this meeting had also been discussed with the CEO and next steps/escalation is being actioned.

Actuals (linked directly Table B)

The key movements on Table B with regard to actual and forecast for the year, which will include COVID and hosted services are:

- Month 7-8 movements
 - Secondary Care Drugs – this line includes NICE, which is not consumed on an equal basis each month and also is impacted on by drug rebates and

timing issues. So net impact NICE in Month 7 was £3.8m but Month 8 was £5.3m which is then driving the movements between months.

- Pay – there has been a 112 increase in the WTE as detailed above but no corresponding reduction in Variable pay.
 - Non Pay – this has reduced in Month and is more aligned to the spend patterns seen in Month 1-5 of 2022/23 and we have seen this reduction in spend across many areas, however it still remains overspent against budget and YTD plan and so will continue to be reviewed.
- Y/E Forecast Movements
 - Primary Care Drugs – increase in forecast linked to the PAR which indicating a significant increase (please refer to risk section of report). Remaining months held at previous levels as any increase will be a risk (as reported in Table A2) and further work is being undertaken by the Pharmacy Team.
 - Pay – this has been reduced to reflect the accountancy gain realised in Month 8 linked to the Annual Leave provision. This line has been used in Table B for 2 reasons (1) whilst we cannot prove the increases in variable pay seen in 2022/23 are 100% attributable to staff utilising annual leave, some of the analysis of Wards in Morriston Hospital indicates that the level of leave being taken on Wards is in excess of the standard level built into the 26.9% head room; (2) the original costs of the provision were charged to this line in Table B during 2020/21 and 2021/22.
 - Non Pay – continues to be refined to reflect overall changes in energy, inflation and clinical supplies as detailed above. Forecast in Year End has increased to reflect the increase seen in the Month actuals.
 - CHC – seen an increase in forecast of both General and MH/LD, partly linked to the RLW, which is detailed in section 9 below.

Ring Fenced Supplementary Return (updated Action Point 7.5)

- COVID Recovery – at Month 7 £4.4m remained uncommitted and at Month 8 this has reduced to £3.7m and is forecast to be utilised in full by 31st March. As noted in section 3 there remains a risk that the Health Board could be over-committed against the funding by £1.5m in 2022/23.
- Urgent Emergency Care – review has been undertaken on the '6 Goals' projects and the commitments made in year, which currently exceed the £2.960m allocation. However, for the purpose of this return on the committed expenditure has been held to the allocation, whilst further work is undertaken.
- RIF – information on current and forecast expenditure have been complied jointly by the Local Authorities and the Health Board. The RPB continues to work on the commitments to the end of 2022/23.
- Value Based Health Care – no further updates from Month 6 submission, although the investment in Heart Failure has increased for the year and community schemes commenced associated with phase 2 of the Virtual Wards within Clusters.
- Mental Health (SIF) Allocations – updates on commitment made for 2022/23 have been reflected in the Month 8 submission. The uncommitted value is reducing as the month's progress.
- Planned Care - In March 2022 we were informed via an email of £15 million for the Outpatient Transformation programme in 2022/23 across Wales. Initially the assumption was that Health Board share would be £1.959m based on 13.06%. However, the letter from WG dated 28th June confirmed £0.657m. At this point we have assumed the £1.959m in Table E and only £0.657m in the Ring Fenced

return. As per your comments in the reply letter we will look to seek clarification on this matter. (Action point 6.16)

- VBHC – aligns to the submission made to the FDU on 2nd December and reflects the position of the schemes at this point, with £0.216m uncommitted against allocation of £1.1m.

At the end of Month 8 the Revenue Resource Limit is under-phased by £13.2m, the reasons for this can broadly be described as follows but the HB will continue to undertake further work on this as the year progresses: -

- RIF (previously ICF) expenditure expected in Q4*
- NICE drugs expected growth
- Primary Care costs
- CHC expected growth and inflation

5. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 8 is £3.667m, which is 6.3% of the overall pay expenditure and is £0.068m lower than the Month 7 position as noted in Section 4 on Pay.

The key reasons for Agency expenditure in month are set out in the bullets below: -

- Vacancy Cover – 50%
- Temporary Absence Cover – 26%
- Additional Support to delivery and performance – 14%
- COVID-19 –10%

6. COVID-19 (Table B3)

The forecast continues to be refined each month (action point 6.2) and the total for Table B3 in Month 7 has held at £58.1m, which includes both national programmes and those areas linked to COVID Transition. A breakdown of this is provided in section 9 of the report by the various areas.

As requested a review of PPE has been undertaken but there has been a marked increase in Month 8 of PPE costs, which is anticipated to remain high in Month 9 but reduce in the final quarter (Action Point 6.6).

As outlined last month with the support of the CEO the Health Board has continued with its programme of reviewing and challenging the Transition COVID costs, with the latest round of meetings held on the 3rd and 4th November 2022. Clear actions were issued by the DOF, on behalf on the CEO on 7th November. Further meetings are in the process of being scheduled for January 2023 to focus on the continued reduction in COVID run rates to March 2023.

The forecast for 2022/23 at Month 8 is provided in the table below:

RRL COVID Allocations	2022/23 Forecast @ mth 8
	£'000
National Programmes: Tracing	5,601
National Programmes: Testing	2,272
National Programmes: Mass Vaccinations	7,886
National Programmes: PPE (Exc Stores Staff)	4,287
National Programmes: Long COVID	426
National Programmes: Nonsocomial	508
COVID Transition Funding Received: Extended Flu Funded to Date	918
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418
COVID Transition: Cleaning Standards	1,906
COVID Transition: Dental Income Shortfall (Balance)	275
COVID Transition: Other	32,583
Total Table B3	58,079

The anticipated allocations, above the national programmes are recognised as a risk within Table A2 as the Health Board may be required to manage this as part of its wider financial position. This should reconcile to the figure included in Section 9 on COVID. The financial planning assumptions here remain consistent and in line with the advice received in the Chief Executive of NHS Wales' letter of 14th March 2022.

Annual Leave:

The table below provides a summary of the Annual Leave accrual at the end of Month 6:

	£m
A/L Opening Balance 1 st April 2022	11.497
Sell Back Payments Month 3	0.748
Sell Back Payments Month 4	0.117
Sell Back Payments Month 5	0.002
Sell Back Payments Month 6	0.001
Sell Back Payments Month 7	0.000
A/L Closing Balance	10.629

There has been no change to the assumptions detailed in Month 7 and £9.8m has now been reflected as accountancy gains in savings, although this has been excluded from the other 'Savings' related tables to separate Savings required to deliver the plan and the N/R opportunities released from the Balance Sheet that will support the operational pressures, as discussed in section 4 of this report (Action Point 5.4).

7. Savings (Tables C, C1, C2, C3)

A summary of the savings position as reported in w/c 28th November 2022 is provided in the Table below (excluding Annual Leave Accountancy Gain).

	Month 1 £M	Month 2 £M	Month 3 £M	Month 4 £M	Month 5 £M	Month 6 £M	Month 7 £M	w/c 28/11/22
Target 2022/23	27.0	27.0	27.0	27.0	27.0	29.0	29.0	29.0
Green & Amber	17.2	18.1	23.1	23.4	24.5	27.7	29.2	29.0
Red	4.6	4.9	3.1	3.1	3.1	2.7	3.2	0.9
Total Forecast Delivery	21.8	23.0	26.2	26.5	27.6	30.4	32.4	29.9
Total Identified	21.8	23.0	27.1	27.4	29.5	32.0	34.1	34.3

Of note is that since the Month 7 submission of MMR: -

- Whilst a £0.2m of additional savings has been identified and classified as planned (reported in the table above), forecast delivery has reduced from £32.4m to £29.9m due to the removal of Red Schemes primarily linked to the Morriston Service Group, which is impacting on their position as detailed in Section 4.

As part of the MMR work we are also monitoring the target of schemes moving from Green to Amber within 3 months of being entered onto the tracker. The table below provides a summary of those breaching along with brief overview of the reason. We will continue to focus and challenge to drive this forward within the HB:

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
MHLDCIP2301	Reduced nurse variable pay from effective rostering, to included annual leave planning and action on working breaks, sickness management and review of staffing levels.	375	500	This will not be delivered in year due to a number of reasons. There has been increased acuity, unscheduled care pressures, increased sickness and vacancy. So, our variable pay costs have been increasing not decreasing and this position is unlikely to change in the remaining months of the year.
MHLDCIP2312	Reduced cost from review and right sizing by CHS	180	180	This relates to CHC cases that have triggered a CHC review leading to a contribution to these cases from local authority. There is on-going negotiation with the LAs and the level of contribution is not yet resolved. It has been necessary to push this saving back a number of times already and these savings cannot be relied on in the current financial year.
MHLDCIP2313	Reduced cost from improved management of voids	20	20	We are currently carrying voids, these have actually increased in year, and there is difficulty placing service users in these voids.

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
MORCIP0006	Additional Pancreatic activity through commissioned 3rd weekly list	20	40	This scheme relies on increasing pancreatic activity. We have secured the consultant time through job planning, but theatre and bed capacity remain challenging - work continues to resolve this as part of the overarching strategy to increase surgical throughput via development of elective hubs. Until we have regular sessions we are keeping this amber as a risk.
MORCIP0014	LOS - Heart Failure Team	262	466	This is a Spend to save scheme; required investment and appointments, implementation has slipped hence still amber. Patient backlog and flow to community beds has impacted delivery timescales and ability to drive out the cost reductions; we are not turning green until we can see the mitigating actions on patient flow starting to show impact. We are working with community colleagues, social care colleagues and developing changed service models around internal flow. We are also working on developing other schemes to mitigate the shortfall.
MORCIP0020	AP's Instead of Band 5's	47	70	The training that would have allowed this to progress to a saving has been pulled by the University and a cohort will not run this year. The intention is to train next year and therefore this will now become a pipeline CIP. We are unable to mitigate this, as it is outside of our control.
MORCIP0021	DNA Rate review & reduction plan - text reminders	39	59	A reduction of DNA through planned actions will result in better throughput per clinic and allow us to reduce staffing levels or outsourcing. We've targeted a small reduction and believe it is deliverable. We are still reviewing data and clinic arrangements to ensure we are delivering before turning green. No barriers raised by service yet – we just haven't completed August reporting/ data review to have assurance it is delivering.
MORCIP0035	Banding Allowance	60	121	We have done a review of intensity banding across all consultants and notifications for many have now been done for payroll processing. We have a final list we need to work through with medical colleagues at which point the scheme will turn Green in the next week or so.
MORCIP0041	Charitable Funds Strategy	100	-	Due to leave of the staff involved in the scheme, we are not expecting the scheme to turn green before end of August. Working on where the opportunities are to reduce revenue spend and more effectively utilise charitable donations this year. We have now identified a number of specific opportunities and are working through internal governance to utilise charitable funds rather than revenue sources.

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
MORCIP0044	Associate Specialists Into Medical Vacancies	38	75	These scheme has been delayed due to other wider service changes linked to an OCP. We are working on mitigating It in the interim (see new schemes emerging) and considering the recurrent opportunity post the service changes already in train.
MORCIP0059	Procurement Savings	267	267	We have reassessed opportunities across a variety of general procurement lines which are now being pursued, schemes will turn green when pricing/ volume/ item changes have been agreed with relevant parties. We anticipate achievements not being straight line but are confident the approach will bring significant cost reduction benefits. We have already had success with other procurement schemes as above.
MORCIP0060	Procurement Savings	33	33	As per comment above
MORCIP0061	Procurement Savings	226	226	As per comment above
MORCIP0062	Procurement Savings	116	116	As per comment above
MORCIP0063	Theatre Instrument switch	154	154	The theatres procurement group is working with the procurement team and we have good engagement, we have seen the first scheme taking hold but has been low value, would hope to turn this green in the new year.
PCCCIP2381	Supporting care home with EMI model of nursing care	261	521	We undertook a tendering exercise with Procurement colleagues but there was no interest. Feedback from the care home sector is that they are struggling with recruitment and therefore do not have the capacity to take on more complex EMI patients. It is recognised that there is a deficit in EMI capacity in the Swansea / NPT region and therefore the HB needs a strategy to meet this shortfall as the number of patients is growing. The HB has undertaken a strategic review of CHC and has this issue has been highlighted. We will look at a solution to address the shortfall in the 23-24 IMTP.
NPTSCIP2358	Primary Care Over delivery	150	150	This will be a green when the forecast delivery shows the required levels. All actions are in place the question is about performance and exact delivery levels.
	Total	2,348	2,999	

There is 1 further validation error on Table C3, and this relates to MHLD2312 (£180k 22/23) – which is showing no in year forecast, for a recurrent scheme with FYE. This relates to CHC cases that have triggered a CHC review leading to a contribution to these cases from the local authority. There is on-going negotiation with the LAs and the level of contribution is not yet resolved. It has been necessary to push this saving back a number of times already and as a result these savings cannot be relied upon for 2022/23. The scheme value has now been replaced by other measures.

8. Welsh NHS Assumptions (Table D)

Table D reflects the Agreement of Balances position as at Month 12 2021/22 or updated where changes have been agreed with other bodies.

9. Resource Limits (Table E)

Table E provides the allocations received and those anticipated by the Health Board.

For COVID the breakdown of the funding received and anticipated is summarised in the table below and links directly to forecast included in Table B3.

The table is broken down into 3 section, the national programmes, COVID transition for which funding has been received and COVID Transition for which no funding has been received (which is also reflected as a Risk in Table A2):

RRL COVID Allocations	2022/23 Forecast @ mth 8	Total By Type
	£'000	£'000
National Programmes: Tracing	5,601	20,980
National Programmes: Testing	2,272	
National Programmes: Mass Vaccinations	7,886	
National Programmes: PPE (Exc Stores Staff)	4,287	
National Programmes: Long COVID	426	
National Programmes: Nonsocomial	508	
COVID Transition Funding Received: Extended Flu Funded to Date	918	2,336
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418	
COVID Transition: Cleaning Standards	1,906	34,764
COVID Transition: Dental Income Shortfall (Balance)	275	
COVID Transition: Other	32,583	
Total Table B3	58,079	58,079

For extraordinary pressures the three items (above current funded levels) are detailed in the table below:

RRL Extraordinary Items Allocations	Received	Anticipated	Total Forecast 22/23
	£'000	£'000	£'000
National Insurance Health & Social Care Levy	4,042	-	4,042
RLW (Care Homes Only)	-	2,995	2,995
Energy Costs (inc Non BG Items)	4,180	6,849	11,029
TOTAL ALLOCATION	8,222	9,844	18,066

Updates on remaining anticipated items are below: -

- RLW = as outlined in Month 7 it has been identified that for MH cases the National Framework contract refresh lead by National Collaborative Commissioning Unit (NCCU) did not take into account the increased RLW, as the refresh process had been

completed by the time WG issued the guidance on supporting providers to be able to pay their social care workers the RLW. The Health Board has been approached by providers on Framework for a further uplift, over and above what was agreed through the national refresh, for the costs of the RLW. As the contracts with these providers are on CCAPS with the NCCU we have raised the issue with them, but it has been devolved back to the Health Board to address. Therefore, during Month 8 we have reviewed the impact of this on the MH cases under the national and have included the revised figure within anticipated allocations and the supplementary return.

- **Energy** = An assessment of the latest British Gas figures (excluding the PFI scheme which is not part of the British gas contract) is supporting the Month 8 supplementary return. The data suggests that the forecast costs for 2022/23 will be lower than the Month 7 submission. However, the Health Board will be undertaking its own assessment over the next 2 weeks led by the Health Board Energy Lead in Estates and supported by Finance. This will build in the actual invoices paid to British Gas and the Health Board's own assessment of the likely costs and volume for the remainder of the year, recognising the Solar Farm impact and the need to cover both the repayment of the invest to save and the savings as per the original Business Case. No change has been made to the PFI and Primary Care Premises line from that submitted in Month 7.

The Health Board is starting to incur costs linked to Ukrainian Humanitarian Partnership Response. At the end of Month 8 the total spend is only £0.014m, whilst we have been told not to anticipate funding this is the start of the costs as the Welcome Centre established by the Local Authority following direct funding from WG will lead to additional NHS costs and so the Health Board will continue to add as a funding request.

10. Statement of Financial Position (Table F)

The key issues in respect of the statement of financial position movements are as follows:

The inventory value has reduced from £10.770m as at the end of October to £10.542m as at the end of November 2022, a reduction of £0.228m. The reduction mainly relates to drugs stocks at Morriston and Singleton Hospitals.

There has been a decrease of £8.694m in trade receivables from £228.355m at the end of October 2022 to £219.661m as at the end of November 2022, mainly as a result of a reduction in NHS Debtors following the settlement of the £3m Welsh Government invoice which had been outstanding since March 2022, together with a reduction in the income accruals for anticipated allocations and the profiling of the cash draw downs.

The closing November 2022 cash balance of £1.475m is in line with Welsh Government target and the best practice cash target for the Health Board of up to £6m at month end.

The trade and other payables figure saw a decrease from £233.259m at the end of October 2022, to £221.352m at the end of November, a reduction of £11.907m. There were reductions across all payables areas including in goods received not invoiced, NHS creditors, trade creditors and directorate accruals for invoices not received.

11. Cash Flow Forecast (Table G)

As at the end of November 2022, the Health Board had a cash balance of £1.475m which is in line with the planned month end cash balance of between £1m and £2m.

The current cash forecast of a deficit of £37.058m in Table G is the current best estimate of the year end position, but there are a number of factors impacting on this cash forecast. These factors and the cash requirement associated with each are detailed in the table below which confirms the current working capital cash requirements.

The forecast cash deficit reported is predicated on the receipt of all anticipated cash allocations detailed in table E and it is a major concern that as at the end of November 2022 there remains £68.548m of anticipated allocations not yet confirmed. This includes particularly large amounts in respect of COVID (£43.561m) and for the energy price increase (£6.849m). It is essential that these allocations are confirmed and issued to the HB as soon as possible to provide more certainty in respect of the cash forecast. As will be noted from the cash flow forecast in table G if these allocations are not available for draw down by mid-February at the latest then the health board will have insufficient cash to meet its payment commitments from the beginning of March, given that working capital cash cannot be drawn down until March.

The second factor informing the cash flow forecast is the significant forecast reduction in capital creditors of £21.664m. Whilst the HB has received an initial temporary increase of £15m to the CRL in respect of this movement, conversations with WG have indicated that this cash cannot be included in the cash forecast until confirmation of the availability of this cash is made following the supplementary budget in February 2023. This cash has therefore been removed from the cash flow forecast in March 2023 as agreed with WG, contributing £21.664m to the cash forecast deficit (the £15m identified plus the remaining capital creditors forecast reduction of £6.664m).

The third factor is the forecast reduction in revenue working capital balances and the associated cash impact. As can be seen from the statement of financial position, revenue creditors are forecast to reduce by £37.665m, which comprises a number of elements. There are payments to staff who have sold back annual leave in 2022/23 and backfill costs associated with covering the additional leave that staff carried over at the end of 2021/22, the allocations in 2021/22 for this being resource only with no cash. There are forecast reductions in other creditor areas as part of the balance sheet releases discussed with WG and the Finance Delivery Unit at the mid-year review some of which are cash impacting and some of which are not, as well as reductions in trade creditors and goods received not invoiced as part of the HB's ongoing push to improve its PSPP compliance. Whilst an element of the reduction in creditors can be offset through reductions in receivables, the cash impact of forecast movement in provisions and through managing cash payments closely during March 2023, this still leaves a sum of £19.792m needing to be covered through additional cash to cover the forecast cash deficit. This figure will also increase if the full value of the anticipated allocations in table E is not provided in cash, reinforcing the requirement for those anticipated allocations to be confirmed and issued as soon as possible.

Finally, another factor at play and impacting on revenue cash is the fact that revenue cash is owed £6.477m from capital cash as the capital cash payments made in 2021/22 exceeded the cash drawn down via the CRL. Therefore, £6.477m capital cash is also required in addition to the £21.664m capital cash requirement for movement in working

capital balances. Receipt of this £6.477m together with the opening cash balance as at 1st April 2022 would therefore leave a cash requirement of £9.692m for movement in revenue working capital balances, giving a small cash surplus of £0.775m at the end of March 2023 as in the table below.

Cash Position for Month 8	Total
	£'000
Opening balance as at 01/04/22	4,398
Reduction in Capital Creditors	-21,664
Forecast deterioration in revenue working balances	-19,792
Forecast Closing Cash Balance	-37,058
Cash Support Required	
Movement in working capital - capital cash	21,664
Capital cash to repay revenue	6,477
Cash required for revenue working capital balances	9,692
Total	37,833
Revised Cash Balance	775

The cash flow is updated daily and any changes to the forecast cash position at year end will be reported through these returns.

12. Public Sector Payment Compliance (Table H)

There is no requirement to report PSPP compliance for month 8.

13. Capital Resource / Expenditure Limits (Table I)

The forecast outturn shows a reduced overspend position of £1.325m. Allocations are anticipated on the schemes shown below which will provide a balanced position.

The impact of the reductions to the discretionary capital funding this year continue to emerge. The pressure to retain a balanced capital position remains fragile as there is very little remaining flexibility in the programme to manage emerging service and infrastructure risks. The risk of the plan shifting from balance to imbalance remains material with little mitigating options available to the Health Board to avoid this. Following the receipt of additional funding from Welsh Government on 30th November, a balance of £7.082m remains for urgent backlog equipment and estates replacement from the bids submitted to Welsh Government on 27 October.

Scheme	£m / Risk Level	Narrative
Business Case Fees	0.237 / Medium	Funding anticipated from WG.
Sapphire Suite	0.030 / Medium	Funding anticipated from Regional Capital.
Welsh Intensive Care Information System (WICIS)	0.027 / Medium	Funding anticipated from WG.

Scheme	£m / Risk Level	Narrative
City Deal – Morriston Access Road Design	0.970 / Medium	Funding anticipated from City Deal.
Eye Care - Open Eyes Ophthalmology System	0.061 / Medium	Funding anticipated from WG.

No Capital schemes are highlighted as high or medium risk this month. All other schemes on the Capital Programme are categorised as low risk and any variances are linked to planned contributions from discretionary.

14. Aged Welsh NHS Debtors (Table M)

Table M lists all Welsh NHS invoices outstanding for more than 11 weeks as at the end of November. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £492k at the end of October 2022 (Oct 2022 - £130k) with the number of invoices in this category doubling to 32 (compared to 16 in Oct 2022) at the end of November 2022.

Of the 32 outstanding invoices between 11 and 17 weeks old, 2 invoices have been paid since the end of November 2022 amounting to £383k. Of those still outstanding:

- 3 relate to Aneurin Bevan Health Board, 2 of which are Pharmacy related.
- 7 relate to Cardiff & Vale Health Board, of which 4 relate to Looked after Children.
- 14 relate to Cwm Taf Morgannwg Health Board, of which 8 relate to Looked after Children
- 4 relate to Hywel Dda, 2 of which are pharmacy related.
- 1 relates to Welsh Ambulance Trust in respect of pharmacy
- 1 relates to Welsh Government

The issue relating to Looked after Children invoices is being investigated although Cwm Taf Morgannwg Health Board have confirmed that all 8 invoices outstanding with them are agreed and just waiting for a purchase order to be raised to enable the invoices to be paid.

There are 19 invoices and 2 credit notes outstanding for more than 17 weeks (17 in October 2022). Of these

- 9 invoices and 2 credits relate to Cwm Taf Morgannwg
- 4 relate to Aneurin Bevan Health Board
- 3 relate to Cardiff & Vale Health Board
- 1 relates to Velindre Trust
- 2 relate to Welsh Government

None of these invoices have been disputed and the Welsh Government invoices were agreed as part of the month 7 agreement of balances exercise but none have been paid since the end of November.

15. Ring Fenced Allocations (Tables N & O)

There is no requirement to update these tables until Month 9 (Quarter 3).

16. Summary

The financial information reported in these Monitoring Returns reflects those reported to the Health Board.

These Monitoring Returns incorporate the financials of the following hosted bodies: -

- Delivery Unit
- EMRTS.

In the absence of the Chief Executive or the Director of Finance, the monthly monitoring return submission will be approved by Dr Richard Evans (Deputy Chief Executive) and Samantha Moss (Deputy Director of Finance), respectively.


These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee for the meeting scheduled on 20th December 2022.

Yours sincerely,



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DARREN GRIFFITHS
DIRECTOR OF FINANCE

Emma Woollett, Chair
NHS Financial Management
Mr Jason Blewitt, Wales Audit Office



pp.
MARK HACKETT
CHIEF EXECUTIVE