Bwrdd Iechyd Prifysgol Bae Abertawe
Swansea Bay University Health Board

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Dyddiad/Date: 13th July 2020

Mrs Andrea Hughes
HSSDG – Head of NHS Financial Management
Welsh Government
Sarn Mynach
Llandudno Junction
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Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 30th JUNE 2020

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 30th June 2020. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 22nd June 2020.

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

The Health Board has developed and submitted a three year plan within which the Year 1 financial plan results in an anticipated deficit of £24.4m.

	£m
2019/20 Underlying Carry Forward Deficit	(28.0)
2020/21	
Service Costs	(41.4)
Savings	22.8
WG Allocation Uplifts	21.6
Income Benefits	0.4
Income Generation	0.2
Forecast Plan Deficit	**(24.4)**

This plan is reflected in the opening section of Table A.

The Health Board opening position included identified forecast savings delivery including income generation of £11.5m against the initial financial plan savings requirement of

£23m. The remaining £11.5m has been identified and assessed building on the work undertaken with KPMG, however the plans were not developed enough to be considered green or amber upon submission of the plan and further progress has been hampered by the COVID-19 pandemic.

The Health Board plan has been significantly impacted on by the COVID-19 pandemic, in terms of significant additional costs, loss of income, reductions in other planned activities, savings delivery and slippage on planned investments. The forecast estimated net impact is £115.853m, of which £26.828m has been funded by Welsh Government and an additional allocation of £13.006m has been anticipated in Table E. It must be noted that due to the uncertainty of the progress of this pandemic, it is challenging to forecast the costs with a high degree of accuracy. The costs identified assume many of the service changes and actions taken remain in place for the whole of the financial year and that sufficient additional workforce is available to staff the required establishment levels; particularly for field hospitals. It must be highlighted that the field hospital provision is currently being reviewed and the impact of decisions made will be shown in future monitoring return submissions.

2. Risks (Table A2)

The Health Board included key risks and opportunities within its plan submission and would wish to re-emphasise the following, none of which are currently in the forecast:

- Major conditions funding – if the Health Board is unable to access this funding and is unable to withdraw services the risk is assessed at £0.7m.
- HCSW banding – the Health Board is in negotiation with staff side regarding the potential re-banding of this staff group. If the claim is successful it is likely to increase costs by £0.3m.
- Final pension charge costs – the Health Board has initially assessed this risk as £1m based on the costs incurred during 2019/20. It is inevitable that invoices will continue to be received for these costs however it is extremely difficult to assess the scale of the impact for the year.
- NICE and high cost drugs – the impact of changes in service provision on NICE and high cost drugs are being closely monitored along with the implementation of new technologies. Whilst in early months of this financial year the costs were lower than anticipated, month 3 has seen a significant increase in uptake and costs which are being further examined.
- Continuing Healthcare – the Health Board has received a number of claims from providers for additional costs incurred as a result of COVID-19. To date these have not been approved and paid and the Health Board is awaiting Welsh Government guidance on payment and funding.
- Additional Capacity – through the work on Essential services, potential capacity gaps are being identified due to reduced internal capacity and increasing backlog of patients awaiting treatment. This may require the use of external capacity to support service delivery.
- Field Hospital review – this may change the planning assumptions and the cost profile for the field hospital provision.
- Primary Care Prescribing Price Concessions – the forecast has included an increased level of price concessions based on Quarter 1 data. This is an area of volatility and if price concessions reduce then the forecast will also reduce.

- Further Savings Delivery – through Quarter 2 the Health Board will be reinvigorating its focus on savings delivery opportunities, particularly those focussed on service efficiency to support the reset and recovery of services to the most efficient new norm.

The key risks and opportunities are in the assessment of the COVID-19 financial forecast, which will be influenced by a number of factors. The following risks and opportunities have been not been quantified in Table A2 at this point.

Risk	Mitigation
Change in modelled demand assumptions	• Detailed updated modelling undertaken to support the financial assumptions within the plan. • Government intervention though circuit breakers should incidence increase. • Capacity able to flex to within current cost base to meet modelled demand before material variable cost incurred.
Local v national Costs	• Planning assumptions clearly set out around PPE. • Engagement with procurement around assumptions of ownership of equipping costs.
Funding arrangements across Health and Local Authorities	• Routine discussions with Local Authorities around resource commitment (particularly Field Hospital fit out and Test, Trace, Track); large proportion of field hospital set up costs received in month 3 • RPB oversight of revenue through partnership agreements • Escalation through Directors of Finance of matters as they emerge for consideration across Health and Social Care areas.
Workforce availability	• Model developed in tandem with detailed workforce plan. • Assumes reduction in shielding and isolating for Quarter 2. • Oversight of Test, Trace, Protect on workforce.
Test, Trace, Protect service model	• Engagement with local authorities on operation and workforce model.
Essential services delivery	• Cost base linked to operational plan to reset and reinstate surgery including the use of outsourcing and insourcing to support clinical needs as this becomes clear • Material changes identified through detailed activity modelling.
Impact of Shortages on Drug Pricing	• Continue to review, refine and reflect the impacts of global shortages, the impact of price concessions and the impact of Category M drugs.
Impact on Capital plan	• Routine engagement with Welsh Government regarding treatment of COVID-19 response and movement in existing plan. • Executive oversight of overall plan, risks and mitigations • Slippage on local and national schemes transparently disclosed to aid mutual understanding
Impact on underlying recurrent position	• Projected loss of savings opportunities increases underlying pressure. Savings programmes to be revisited and transformation opportunities through reset and recovery work to be explored and implemented where appropriate

Risk	Mitigation
Funds flows – LTA/SLA/NCA	• Quarter 1 and 2 All Wales agreement in place to manage financial risk of LTA under provision.

Opportunities
Review contracts in place to test whether changes in modelling can inform commitments made to block contracts for products and services.
Increased activity will reduce loss of income where income remains recoverable outside of agreed national position on LTAs, SLAs and WHSSC.
Engagement with clinical teams to assess whether innovative practice currently being demonstrated can form part of sustainable models of care
Increased levels of partnership working could identify opportunities for joint working for patient and financial benefit
Test, Trace and Protect could positively influence planning assumptions and reduce planned cost.

3. Monthly Positions (Table B)

The Month 3 cumulative reported position is an overspend of £16.328m.

Based on the initial plan, a cumulative overspend of £6m would have been expected.

The COVID-19 cumulative net impact to the end of June 2020 has been assessed as £37.006m. This is made up of additional costs associated with COVID-19, loss of income, offset by savings in expenditure, impact on savings delivery and impact on planned investments. Against this an allocation of £26.828m has been received in month 3.

At the end of Month 3 the Revenue Resource Limit is over-phased by £6.7m, the reasons for this can broadly be described as follows:

- Field Hospital costs £11.7m
- Additional staff costs £5.1m
- ICF expenditure expected later in the year (£2.2m)
- NICE drugs expected growth (£1.3m)
- Pay reserves (£1.7m)
- Non pay reserves (£1.0m)
- Capacity (£0.6m)
- CHC expected growth (£0.3m)
- Commissioner contracts (£1.1m)
- Risk pool liability (£0.6m)
- Transformation & innovation future costs (£0.5m)
- Primary Care costs (£0.8m)

Whilst these are assumed to be fully committed, each area is being reassessed to ensure that opportunities to support the current Health Board position are being maximised.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 3 is £2.101m, which is 4.2% of the overall pay expenditure and is £0.404m higher than the same period in 2019/20.

The increase in agency expenditure is a reflection of the high level of staff unavailability offset by the reduced bed capacity and planned care activity. The requirement for agency staff is likely to remain relatively high in the coming months as the Health Board increases essential service capacity.

The key reasons for Agency expenditure in month are set out in the bullets below. It must be highlighted that due to changes in reporting requirements the robustness of this analysis may not be as granular as in previous submissions. We are further reviewing this information to improve the analysis

- Vacancy Cover – 39%
- Temporary Absence Cover – 7%
- Additional Support to delivery and performance – 22%
- COVID-19 – 32%

5. COVID-19 (Table B3)

The COVID-19 impact for June 2020 has been assessed as £25.597m and is broadly consistent with the forecast position. This is made up as follows:

	Month 1 Actuals	Month 2 Actuals	Month 3 Actuals	Cumulative Actuals
	£m	£m	£m	£m
Impact on Savings Delivery	1.749	1.480	1.318	4.547
COVID-19 Gross Costs	3.176	8.709	27.099	38.984
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-4.608
Slippage on Planned Investments	-0.468	-0.468	-0.980	-1.916
TOTAL COVID-19 IMPACT	**3.278**	**8.132**	**25.597**	**37.007**

The financial forecast for the 2020/21 financial year has been assessed as £115.853m, however due to a range of variables such as policy on isolation, disease prevalence, workforce availability, development of essential services and field hospital utilisation, the forecast remains subject to the potential for significant change.

The key movements from the previous month's forecast are the assumption that field hospitals will not be required to be utilised in Quarter 2, based on current modelling and the inclusion of the impact of primary care prescribing emerging costs. Other elements of the forecast have been refined as appropriate.

A financial framework has been developed and is under routine scrutiny and refinement based on the movement in the care system across the Health Board. The commitments within this plan are also under routine review to ensure that the Board retains its commitment to work in the public interest and also that due diligence and value for money are observed and enacted.

The Health Board is currently considering options for field hospital provision for the remainder of 2020/21 through a series of discussions in July 2020. The outcome of these discussions will be reflected in the month 4 returns.

As our financial approach matures we will be considering the further opportunities to support the care requirements of our population in the presence of COVID-19, maintain good governance and deliver clarity of analysis to support the best decision making we can in the dynamic environment. By working in this way we intend to maintain absolute transparency in our financial forecasts and to engage fully with Welsh Government colleagues on the resource handling at this unprecedented time.

6. Welsh NHS Assumptions (Table D)

Table D sets out the income and expenditure assumptions with other Health Boards. The figures are broadly based on the year end TMS values, however some have been updated to reflect 2020/21 LTA contract values.

All LTAs were signed off by the end of March 2020 with the exception of Powys. The provider and commissioner LTA's with Powys have now also been signed.

7. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

8. Cash Flow Forecast (Table G)

As at the end of June, the Health Board had a cash balance of £0.747m which is broadly in line with the planned month end cash balance of between £1m and £2m. The health board was able to bring its cash balance down to normal levels in June following the high cash balance of £7.689m at the end of May 2020, by adjusting its June 2020 cash request.

Whilst it is still early in the financial year to provide a robust forecast cash position for the year, the cash forecast in Table G is predicated on the forecast year end deficit and the current early assessment of the impact of any movement in working capital balances on the cash position. The current forecast as at the end June, indicates a forecast cash deficit (taking into account anticipated allocations) of £95.308m, with the health board drawing down its full revenue cash drawing limit by February 2021. The cash flow is updated daily and a full review of the forecast is undertaken at the end of each month taking into account movements in the forecast year end deficit and the latest estimates of the movement in working capital balances.

9. Public Sector Payment Compliance (Table H)

For the first quarter of 2020/21 the health board paid 92.69% of its non NHS invoices within 30 days, below the target of 95%. Compliance with the 95% target has improved each month with 96.93% of non NHS invoices being paid within 30 days in June 2020,

94.33% in May 2020 and 87.86% in April 2020 when the COVID-19 pandemic was at its peak. It is this poor performance in April 2020 when there were significant delays in receipting as staff focussed on front line duties, that has resulted in the cumulative compliance being only at 92.69% for the 3 month period.

In respect of NHS invoices, to the end of June 2020 91.4% of invoices have been paid within 30 days, with the % of non NHS invoices paid within 30 days following the same trend as for NHS invoices, performance being 98.71% for June 2020, 90.68% for May 2020 and 87.61% for April 2020.

The health board is committed to working with all staff responsible for receipting orders and authorising invoices as well as Accounts Payable to sustain the performance levels achieved in June for the remainder of the financial year.

10. Capital Resource/Expenditure Limit Management (Table I)

The forecast outturn shows an overspend position of £7.210m. This includes the discretionary plan approved by the Board in March 2020 and the latest estimates for COVID expenditure across our surge capacity, Field Hospitals and new ways of working, including a home working.

Following on from the quarter 2 planning guidance and discussions at our June CRM, we are reviewing our approved plan against a number of options, to mitigate the adverse national funding position, while trying to maintain delivery and pace on a number of critical priority projects These include health & safety (Singleton cladding and anti-ligature) and maintaining the cancer clinical pathways (replacement of the CT-SIM). This is expected to be ratified by the main Board in July 2020, with an update position provided in month 4.

The main areas contributing to this overspend position have been highlighted with risk assessments within the table and are summarised as:

Scheme	£m	Narrative
Perinatal Mother & Baby Unit at Tonna Hospital	0.248	Following Ministerial approval to proceed with the full design and tender of the interim solution at Tonna, costs have increased during the full design. Tenders have been issued, returns expected back middle of August 2020, with on-site works planned for October 2020.
COVID	4.631	This reflects the COVID return submitted to Welsh Government on 8th June 2020. This is a best estimate at this stage, as we await completion of remaining elements of our critical care surge capacity in Morriston. The estimate excludes equipment being procured through the national equipping teams, as we await an updated assessment of these costs from Shared Services. The majority of the equipping costs for the Field Hospitals have been excluded from these figures, as they have been reflected in revenue, given there will be no long term asset. Included in 'Table E – Resource Limits' is the

Scheme	£m	Narrative
		anticipated allocation of £2.641m (letter received). The remaining £1.990m has been requested.
Morriston Access Road	1.000	A contract for the design of the proposed new access road at Morriston Hospital was let last year. The programme provides for completion of the design and submission of a hybrid planning application this year. Discussions have taken place with various Welsh Government departments, the local authority and the Swansea Bay City Region Deal around accessing funding streams for both the design and construction of the road. A positive meeting was held in December with officials from the Capital and Estates Team to request assistance with pump prime funding for this design as we await longer term funding opportunities through the City Deal. Following recent correspondence with the Capital and Estates Team, we understand that the financial position due to COVID, means it is unlikely that any funding support from WG will be available in the short-term. We are reviewing the contractual commitments against the backdrop of our overall discretionary capital plan.
Repayment of Business Case Fees	0.346	Repayment of a number of business cases where fees have been incurred: Anti-ligature, Environmental Modernisation, Cladding, Adult Acute SOC. We are reviewing the position against the backdrop of our overall discretionary capital plan.
Neonatal and Post-Natal Capacity at Singleton Hospital	0.197	Increased COVID-19 related costs due to impacts of social distancing and other precautionary measures.
Singleton Cladding	0.788	Design fees for production of the technical BJC. We are reviewing the contractual commitments against the backdrop of our overall discretionary capital plan.

We are experiencing some delays with financial impacts across a number of our building and engineering schemes due to the COVID outbreak. This applies to schemes on-site due to the impact of social distancing and the unavailability of Health Board premises. It is also likely that we will experience increased costs as we go out to tender for new schemes.

11. Capital Disposals (Table K)

There are a number of planned property disposals with expected sale proceeds of £506k. All have received Ministerial approval to proceed.

12. Aged Welsh NHS Debtors (Table M)

Table M lists all Welsh NHS invoices outstanding for more than 11 weeks as at the end of June. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £422kk at the end of June 2020 (May - £148k) with the number of invoices in this category reducing from 17 at the end of May to 7 at the end of June 2020. Of these outstanding invoices between 11 and 17 weeks old, 1 has been paid since the end of June 2020, totalling £14k in value.

There are no invoices outstanding for more than 17 weeks at the end of June 2020.

13. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables for month 3. A balanced position is currently anticipated on all ring-fenced allocations, however this is being reviewed to ensure it is fully reflective of the COVID impacts on these services.

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

In the absence of the Chief Executive and the Interim Director of Finance the monthly monitoring return submission will be approved by Chris White (Chief Operating Officer) and Samantha Lewis (Deputy Director of Finance) respectively.

These Monitoring Returns incorporate the financials of the following hosted bodies: Delivery Unit and EMRTS.

These Monitoring Returns will be included on the agenda of the Health Board's Performance and Finance Committee on 28th June 2020.

Yours sincerely,

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DARREN GRIFFITHS
DIRECTOR OF FINANCE (INTERIM)

J C Myhill
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TRACY MYHILL
CHIEF EXECUTIVE

Emma Woollett, Chair
NHS Financial Management

Assistant Directors of Finance
Mr Jason Blewitt, Wales Audit Office