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Dyddiad/Date: 12th March 2020

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 29<sup>th</sup> FEBRUARY 2020

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 29<sup>th</sup> February 2020. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 26<sup>th</sup> February 2020.

### 1. Actual Year to Date and Forecast Under/Overspend 2019/20 (Tables A & B)

#### (a) **Movement of Opening Financial Plan to forecast outturn (Table A)**

The Health Board developed a balanced financial plan within the Annual Operating Plan.

Costs	£m	Savings/Funding	£m
2018/19 Underlying	23.3	Savings	(21.3)
Carry Forward Deficit		Non-Recurrent Opportunities	(0.7)
		Actions to mitigate Bridgend transfer impact	(0.0)
<u>2019/20 New Costs</u>		<u>Additional Funding</u>	
Service Costs	42.3	WG Allocation Uplifts	(33.2)
		Income Benefits	(0.4)
		WG Additional Funding Support	(10.0)
<b>Total</b>	<b>65.6</b>	<b>Total</b>	<b>(65.6)</b>

The Health Board's ambition for 2019/20 had been to achieve financial balance and we had developed a plan to support this ambition. That core financial plan excluded the impact of the Bridgend diseconomies of scale. The Health Board recognised its need to mitigate these diseconomies, however the challenge of fully addressing these diseconomies in year one has been highlighted.

The Health Board has a forecast savings delivery including income generation and accountancy gains, of £19.3m against the initial financial plan savings requirement of £22m.

Whilst relatively good progress has been made on savings, the Health Board has experienced significant in-year operational pressures, the main drivers being unprecedented and prolonged unscheduled care pressures resulting in additional costs to maintain surge capacity, meet workforce requirements, the knock-on impact on income received for commissioned services, and rising Continuing Healthcare costs.

The Health Board has recognised the impact of category M drugs price increases, final pension charges and the Welsh Risk Pool risk share within its revised forecast. In addition the forecast also recognises the impact of the change in discount rate and a new personal injury claim, which were first reported last month.

The Health Board has identified £0.4m of mitigation opportunities against the Bridgend diseconomies of scale and is grateful for the Welsh Government's support in agreeing the £2m transitional cost transfer from Cwm Taf Morgannwg University Health Board which has been agreed and transacted.

The Health Board at its meeting on 28th November received a detailed report on the performance and financial trajectories and a range of actions to support improvement. The Board agreed the implementation of a range of actions and recognised that this would deliver at best a year-end deficit of £12.3m.

The Board has re-assessed the forecast delivery confidence in light of the most recent financial reporting and the delivery impact of the additional actions agreed at the Health Board meeting on 28th November.

The Health Board revised forecast is a year-end deficit of £16.3m.

#### **(b) Monthly Positions (Table B & B1)**

The Month 11 reported position is an overspend of £13.493m. This overspend reflects workforce pressures linked to operational pressures and patient acuity, growth in ChC patient numbers, and income risks associated with lower elective activity levels due to unscheduled care pressures. It also reflects the challenges of delivering the required level of savings, particularly those required to manage the diseconomies of scale following the Bridgend Boundary Change.

The in-month financial position is an overspend of £1.197m. This is aligned to the forecast position and the Health Board is committed to delivering the £16.3m year-end deficit forecast.

#### **2. Underlying Position (Table A1)**

The Health Board underlying carry forward position moving into 2019/20 was assessed at £30.4m based on the former ABMU Health Board. The Swansea Bay University Health Board financial impact assessment undertaken as part of the Bridgend Boundary Change identified £7.1m of this underlying deficit as relating to the Bridgend population and the services they access and therefore transferring CTMUHB. The balance of £23.3m underlying deficit is recognised in the Health Board opening financial plan.

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The full impact of additional in year operational expenditure due to operational pressures and of savings plan performance on the underlying position moving into 2020/21 has been assessed as part of the IMTP planning process. The initial high level assessment indicates an underlying position of around £28m, this is continuing to be further refined.

### **3. Ring Fenced Allocations (Tables N & O)**

Tables N and O are not required to be completed in month 11. A balanced position is currently anticipated on all ring-fenced allocations with the exception of GMS and Dental which had an anticipated surplus of £655k and £84k respectively reported at quarter 3. The Dental surplus is likely to become an overspend due to the £233k patient charges issue highlighted to Welsh Government.

### **4. Net Expenditure Profile Analysis (Table B & B1)**

**Resource Limit** – at the end of month 11 the Revenue Resource Limit is under-phased by £3.9m.

Reserves are not profiled in a straight line across all categories within Table B, the elements of the difference are explained in the table attached to this letter.

To date, the key pressure areas are:

- Pay – due to the increasing use of premium rate agency supporting additional surge capacity and cover sickness absence and vacancies.
- Non-Pay – due in the main to under delivered and unidentified savings requirement.
- Drugs – due to increasing in expenditure on MS and cancer drugs.
- ChC – pressure of case number growth.

Primary Care Contractor was £0.8m above forecast relating to the GP IMT refresh costs invoice.

Pay expenditure was £2.4m above forecast reflecting additional bank and agency costs as a result of winter pressures, final pension charge invoices and the payment of a five week enhancement period and three bank holidays.

Non pay expenditure was £0.7m higher than forecast resulting from additional clinical negligence costs.

Secondary Care Drugs was £0.8m below forecast reflecting the irregular expenditure patterns for some NICE drugs particularly Hepatitis C and cancer.

Joint Financing and Other was £2.9m below forecast as ICF invoices from councils and voluntary sector organisations have not been received as anticipated, the profile of the spend has been amended to reflect this.

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## **5. Agency/Locum Expenditure (Table B2)**

The Health Board Agency expenditure for Month 11 is £2.220m, which is 4.5% of the overall pay expenditure. The year-to-date agency expenditure for 2019/20 is £5.6m higher than the same period in 2018/19 (adjusted for Bridgend).

The increase primarily relates to nurse agency costs, which increased during 2018/19 and have remained high during 2019/20. This reflects the sustained and unprecedented operational pressures being experienced, including high levels of sickness absence, and the additional capacity in place to support the operational pressures.

The key reasons for Agency expenditure in month are:

- Vacancy Cover – 56%
- Temporary Absence Cover – 11%
- Additional Support to delivery and performance – 33%

## **6. Savings Plans (Table C, C1, C2 and C3)**

The Health Board initial core financial plan identified a £21.3m savings requirement for 2019/20 to support the delivery of a balanced financial plan. This savings requirement did not include any actions required to mitigate and manage the impact of the Bridgend Boundary Change clinical and corporate management diseconomies of scale. The Bridgend diseconomies are now being incorporated into the overall approach to delivery through the Delivery Support Team and the Health Board more broadly.

The Health Board savings plan comprises three elements: local savings, cost containment and management, and High Value Opportunities.

The Health Board plan identified an opening level of savings of £18.151m. This includes £0.981m Income Generation and £0.3m Accountancy Gains, which do not show on Table C.

The initial savings plans have under-delivered by £4.831m.

A further £6.006m of savings have been identified with a high level of delivery assurance.

The Health Board is forecasting savings delivery, including income generation and accountancy gains of £19.3m.

The Health Board is continuing to work through the KPMG opportunities pipeline to identify and drive improved delivery and bring forward opportunities into 2019/20 and ensure 2020/21 opportunities are developed to deliver at the start of the financial year.

## **7. Income Assumptions 2019/20 (Tables D & E)**

Table D sets out the income and expenditure assumptions with other Health Boards based on current LTA and other income and expenditure assumptions.

Table E provides the allocations anticipated by the Health Board.

The Transformation Fund allocations received and anticipated are being fully utilised for the purpose for which they have been awarded.

**8. Health Care Agreements and Major Contracts**

All LTAs were signed off by the end of May.

**9. Risk Management (Table F)**

The Health Board has considered its key risks and opportunities and in light of the proximity to the year-end the risks and opportunities have been considered crystallised and managed within the year-end forecast.

The Health Board has assumed no claw back of the £6.5m performance funding.

The Health Board is closely monitoring the impact of COVID-19 on the financial position, however this has not been quantified given the rapidly developing position on this.

**10. Statement of Financial Position (Table G)**

The S1 and S2 transfer documents detailing the balances to transfer to Cwm Taf Morgannwg Health Board as a result of the Bridgend boundary change are still to be signed off by Cwm Taf Morgannwg Health Board. A meeting has been arranged for Wednesday 11<sup>th</sup> March to attempt to resolve the few remaining issues that are preventing sign off by Cwm Taf Morgannwg Health Board.

The balances included in Table G at 1 April 2019 and 29 February 2020 are the balances prior to disaggregation, less those balances cleared during the period, representing the actual ledger figures at these dates. The forecast closing Statement of Financial Position at 31<sup>st</sup> March 2020 reflects the forecast closing Statement of Financial Position for the Swansea Bay University Health Board incorporating the audited S1/S2 figures.

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

- The inventory value increased from £10.583m at the end of January to £10.634m at the end of February, an increase of £0.051m, this being due to a movement in drugs stocks at Morriston and Singleton Hospitals.
- There was a reduction in trade receivables in month from £185.287m at the end of January to £184.471m at the end of February, a reduction of £0.816m. The main reduction was in NHS Debtors following payment of quarter 3 invoices for services provided which were raised at the beginning of January and included in the January debtor figures.
- The closing February cash balance of £7.644m was significantly higher than the month end cash target set by the health board of between £1m and £2m. The higher cash balance was due to lower than forecast creditor payment runs during the last week of the month.

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- The trade and other payables figure saw an increase from £174.080m at the end of January to £179.470m at the end of February, an increase of £5.390m. This increase was the major factor in the month end cash balance being higher than forecast. The increase was across a number of areas, including capital creditors, the tax and national insurance creditor, trade creditors and creditor balances with local authorities. The payables figure is anticipated to reduce in March as NHS Wales bodies payment terms have been changed to immediate payment to assist in reducing the number of invoices needing to be agreed as part of the year end agreement of balances process.
- Provisions reduced from £161.010m at the end of January to £159.557m at the end of February primarily due to payments against existing clinical negligence and personal injury provisions.

#### **11. Cash Flow Forecast (Table H)**

As reported above, at the end of February the health board had a cash balance of £7.644m, which is significantly above the health board target of holding between £1m and £2m of cash at month end.

The health board has now received all the cash requested for movement in working capital cash balances and strategic cash support and is managing its cash position on a daily basis in line with the approved cash drawing limit.

The latest cash forecast based on anticipated receipts and payments for the rest of March is that of a cash surplus at year end of £3.561m. To date the health board has requested £12.3m of the strategic cash support provided and has completed a cash request for receipt on 16<sup>th</sup> March for £5m of the £10.107m capital working capital cash balances approved and £15m of the £23.687m revenue working capital cash balances approved. A final decision will be made week commencing 16<sup>th</sup> March as to the remaining amounts required to be drawn down in cash which will take into account the latest estimated capital and revenue cash payments, particularly with regard to the new capital allocations received in recent months.

In the event that the full working capital or strategic cash support funding is not required this will be communicated to Welsh Government in week commencing 16<sup>th</sup> March.

#### **12. Public Sector Payment Compliance (Table I)**

There is no requirement to complete this table for Month 11.

#### **13. Capital Schemes and Other Developments (Tables J, K & L)**

##### **Table J - 2019/20 Capital Resource Limit Management**

Table J reflects the CRL of £32.032m issued on 10 March 2020.

A number of schemes are showing a variance compared to the allocation. Unless these are identified in the risk assessment below, this is a planned variance to reflect the

recovery of fees spent in prior years. In the case of National Clinical Systems and the Air Handling Unit for Obstetrics Theatre, the Health Board is making an agreed contribution to the scheme from discretionary capital.

#### Performance to Date

The reported financial performance at Month 11 is a £1.910m underspend to plan. The main areas of variance are shown below.

<b>Scheme</b>	<b>Underspend to Plan M11 £'000</b>	<b>Comments</b>
Ward 11 & 12 Asbestos, Singleton	571	Following completion of the main asbestos strip on wards 11 and 12, savings have been identified of c£300k in comparison to the plan with these work packages. There has also been a four week delay with some unanticipated asbestos removal on ward 11.
MRI Scanner @ Neath	430	Scheme has been delayed due to issues with the PFI contractor and their contractor. In relation to the works element the PFI partner has identified issues with the integrity of the existing building where the MRI Scanner will be located.
Discretionary	1,121	Delays with RFID rollout and EDCIMS, but not anticipated to impact the forecast outturn. Delays with appointment of design team on Morriston Access Road.

#### Forecast Outturn

The forecast outturn against the current CRL shows a breakeven position with no outstanding anticipated allocations.

### **B. Table K - In Year Capital Scheme Profiles**

#### Risk Assessment

The risk assessments on schemes which are not considered to be low risk are:

<b>Scheme</b>	<b>Risk Profile</b>	<b>Risk Value £'000</b>	<b>Comments</b>
Cladding Removal Works Singleton Hospital	High	204	Scheme is forecasting an overspend of £21k against the original allocation plus additional fees for phase 2 which have been agreed by Welsh Government and will be funded within the phase 2 allocation.

<b>Scheme</b>	<b>Risk Profile</b>	<b>Risk Value £'000</b>	<b>Comments</b>
Ward 11 and 12 Asbestos Removal, Singleton	High	317	Following completion of the main asbestos strip on wards 11 and 12, savings have been identified of c£300k. Following discussion with WG on 10 February, it was agreed that the underspend on these work packages will be managed by the health board and re-provided to the scheme from discretionary next year.
NPT MRI	High	1,062	Scheme has been delayed due to issues with the PFI contractor. Risk Value relates to agreed transfer of spend for items that can't be capitalised as well as a works element in relation to issues identified with the integrity of the building under the PFI where the MRI Scanner will be located, as discussed at the February CRM. The impact is that installation of the replacement MRI is unlikely to commence until Q2.
Re:Fit	High	511	As agreed with WG, we are managing the scheme across 19/20 and 20/21 within the Health Board capital position.
Gamma Cameras	High	185	Design work requirements reduced this year awaiting service decision on control room location.
Invest to Save – Theatre Stock Omnicell	High	98	Ministerial approval now received for award of the contract. However, spend this year has been reduced as we are awaiting of the procurement standstill period. Some funding also related to design fees incurred in prior year.
Neonatal/TCU	Medium	93	Small overspend linked to the ongoing Ward 11 and 12 Asbestos Removal works at Singleton.
Murton & Penclawdd	Medium	50	Schemes substantially complete. Working through final accounts and as discussed in the February CRM a proposal for reinvestment will be submitted.
Eye Care Simulator	Medium	41	Order placed with a company in Germany. Risk is due to potential for exchange rate differences at point of billing as discussed at February CRM.

**Table L - Capital Disposals**

It is anticipated that the sale of Glynneath Clinic will complete in 2019/20.



The sale of Coelbren was previously anticipated to be during 2019/20 but due to a lack of interest we are now anticipating that the sale will complete in 2020/21.

**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 February. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £1.241m at the end of February (January £188k) with the number of invoices in this category increasing from 6 at the end of January to 14 at the end of February. Of the outstanding invoices between 11 and 17 weeks old, one has been paid since the end of February.

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

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 and EMRTS.

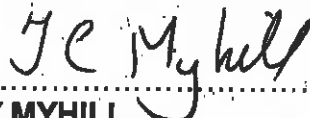
These Monitoring Returns will be received by the Health Board's Performance and Finance Committee on 24 March 2020.

Yours sincerely,



**DARREN GRIFFITHS**  
**DIRECTOR OF FINANCE (INTERIM)**

Emma Woollett, Interim Chairman  
NHS Financial Management



**TRACY MYHILL**  
**CHIEF EXECUTIVE**

Assistant Directors of Finance  
Mr Jason Blewitt, Wales Audit Office

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