

Dyddiad/Date: 25th April 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 31st March 2022

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 31st March 2022. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your letter of 28th March 2022.

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

The Health Board has developed and submitted an annual plan within which the financial plan results in an anticipated deficit of £42.077m before the inclusion of COVID income and expenditure. The COVID expenditure is assumed to be matched by income. In addition, the Health Board has received non-recurrent income to support the 2020/21 savings impact. This reduces the 2021/22 forecast to £24.405m.

	2021-22 Plan Update £m
20/21 Core Underlying Position	24.405
20/21 Savings COVID impact	17.672
20/21 Underlying Position	42.077
Cost pressures	25.600
WG Allocation	-15.100
Investment Commitments	8.500
Planned Savings	-27.700
Investments to enable Savings	8.700
Forecast Position pre-COVID	42.077
Less 20/21 Savings impact	-17.672
Forecast Position post-COVID	24.405

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

The Health Board opening position includes identified forecast savings delivery including income generation and accountancy gains of £26.1m against the initial financial plan savings requirement of £27.7m. The identified schemes have increased to £28.4m, however some slippage has been

experienced in the delivery against these planned schemes, with a forecast delivery of £28.2m in year.

The key focus for the Health Board will be securing the full recurrent savings required in 2021/22 into 2022/23 to support the recurrent reported underlying position. At the end of month 12 there is a shortfall of £2.0m. This has been mitigated by the release of planned uncommitted investments to allow services to focus on the identification, planning, implementation and delivery of the 2022/23 savings requirement.

The Health Board opening plan included estimated costs of £101m in relation to the ongoing impacts of the pandemic on service delivery and the initial phase of service reset and recovery. This included direct COVID impacts such as TTP and Vaccination as well as broader service implications. These estimated costs have increased from the initial plan which reflects the inclusion of further recovery funding, urgent and emergency care funding and the pay award impact on COVID costs through 2021/22.

The Health Board recognised that funding has been allocated for COVID programmes such as TTP, Vaccination and PPE based on Month 8 forecasts and has been working to manage any variation in forecasts within the overall Health Board available resources.

2. Risks (Table A2)

As this is the final year-end position, all risks and opportunities are confirmed within the position.

3. Monthly Positions (Table B)

The Month 12 reported position is an in-month overspend of £3.5m and a cumulative overspend of £24.4m.

The key movements between Mth 11 and Mth 12 are summarised below:

- **Line 8 PC** – for Pharmacy, GMS and Ophthalmic Contracts there have been increases across areas of the Contracts in Mth 12 which has impacted on the actual spend reported in month;
- **Line 9 PC Prescribing** – this will be based on the latest PAR figures with an assessment of the estimates for the Mth 11 and 12 accrual.
- **Line 10 Pay** – this increase reflects 2 changes in the actuals in Month 12. The first is the £26.7m accrual to reflect the 6.3% Pension costs and the second change is the planned pay accruals covering areas such as study leave, outstanding agency costs based on the allocate system and time owed/overtime, which totalled circa £11m.
- **Line 11 Non Pay** – the movement in Mth 12 reflects the increase in the actuals across numerous areas, and the key areas have been highlighted below:
 - Increase in utilities both for Health Board (HB) premises and those areas where the HB receives a recharge, for example the Port Talbot Resource Centre (PTRC);
 - Increase in the Cluster costs to ensure all costs are accounted for within the year;
 - Increases in Digital expenditure in relation to Software, IT Security and Maintenance;
 - Increase in areas such as engineering contracts and general maintenance and repairs of equipment;
 - Additional outsourcing and non-pay costs as reported through Table B3 and the COVID Other Analysis submission (Recovery);
 - Finally there has been a significant increase across multiple areas linked to clinical services and supplies.
- **Line 17 Joint Financing** – as in previous years the Mth 12 actuals reflect the final costs of ICF recharges.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 12 is £5.518m, which is 5.7% of the overall pay expenditure and is £2.628m higher than the same period in 2020/21.

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.

- Vacancy Cover – 48%
- Temporary Absence Cover – 13%
- Additional Support to delivery and performance – 24%
- COVID-19 – 15%

5. COVID-19 (Table B3)

The financial forecast for the 2021/22 financial year had been estimated as £114.5m (Line 210) in Mth 11, however the actual figure reported in Mth 12 (Line 210) is £112.6m.

The key movements from the previous month are: -

- **Mass Vaccination (A3)** – there was a reduction of £1m on non pay which is primarily linked to the monthly rental of the Mass Vaccination Centre (MVC) and now correctly reflected in Mth 12. This has been previously flagged to the Finance Delivery Unit (FDU).
- **Section A7**
 - **Pay**
 - Medical (Line 174) costs increased as a result of an accrual linked to additional cover provided during Omicron variant and other peaks in COVID demand.
 - Nursing (Line 175) – rise in costs in month some of which is linked to the stepped increase in agency costs in month.
 - Annual Leave (Line 184 on Mth 11) – the Mth 12 forecast assumed an increase in the Annual Leave accrual of £3.4m. However this was not required at the 31st March and so was removed from table B3.
 - **Non Pay**
 - Line 188 the loss of dental income has been adjusted to reflect the final shortfall in income as reported in Table O.
 - Line 191 and 198 increased to reflect general non pay and outsourcing costs incurred during Mth 12.

Any movement in overall position for the previous forecasts has been managed within the overall funding allocation and position of the Health Board.

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

The Health Board has a gross savings requirement of £27.7m, which reflected the need to reinvest circa £8.7m in order to deliver a significant level of efficiency opportunities (£17.7m).

The Health Board plan had identified £28.4m of savings that have been assessed as green or amber. This includes £0.588m of income generation.

Whilst the green and amber schemes have increased from the opening plan, slippage has been seen on a number of schemes, particularly those related to bed utilisation efficiency, which has reduced the forecast delivery to £28.2m.

There are validation errors on Table C3, due to amber schemes which have passed the Go Green date. A number of these schemes relate to bed utilisation efficiencies which due to the pandemic

pressures, unforeseen complications with capital schemes and an extremely constrained workforce market, have been delayed. These schemes have no forecast delivery for the 2021/22 financial year, but continue to be part of the planned recurrent delivery profile. In addition there are other errors related to schemes with a FYE but no in year forecast.

The Health Board Savings Programme Management Office (PMO) was established during 2021/22 to support, assure and accelerate the delivery of planned savings. The PMO will continue to identify further opportunities to bridge the current savings gap and to meet future savings and sustainability requirements as we head into 2022/23.

7. Welsh NHS Assumptions (Table D)

Table D sets out the income and expenditure assumptions with other Health Boards as per the TMS statements agreed as part of the Year End Process.

8. Resource Limits (Table E)

There are no outstanding allocations due from Welsh Government (WG).

9. 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 £9.801m at the end of February 2022 to £9.372m at the end of March 2022, a reduction of £0.429m. The reduction mainly relates to drugs stocks across all hospital sites.

There has been a reduction in trade receivables from £226.972m at the end of February 2022 to £185.962m at the end of March 2022, a reduction of £41.010m. This is primarily due to there being no anticipated allocations to be accrued as at the end of March 2022 with the February 2022 accrued income for anticipated allocations amounting to £44.821m. This reduction is then offset by £1.953m in respect of the 19-20 scheme pays reimbursement debtor with WG plus small movements in other debtors

The closing March 2022 cash balance of £4.398m whilst within the accepted level of £6m based on WG targets, was above that which would normally be held at year end.

The trade and other payables figure saw a large increase from £220.482m at the end of February 2022 to £268.788m at the end of March 2022, an increase of £48.306m. Of this increase £26.7m was linked to delays in supply chains with significant increases in outstanding invoices on the creditors system which could not be paid and in goods received not yet invoiced. The remaining increase was as a result of an increase in expenditure accruals.

Provisions saw a reduction from £156.510m at the end of February 2022 to £150.655m at the end of March 2022, a reduction of £5.855m. The reduction mainly related to the clinical negligence provision (£7.964m) following the receipt of the year end quantum reports for clinical negligence, personal injury and GP indemnity claims. This was offset by the new provision of £1.953m for the 2019-20 scheme pays, with small movements in other provisions.

10. Cash Flow Forecast (Table G)

As at the end of March 2022, the Health Board had a cash balance of £4.398m, within the WG best practice figure of £6m.

The Health Board continued to process payments including the use of same day payments via CHAPS on 31st March in order to reduce the cash balance as low as possible, however, delays in

goods being delivered due to supply chain issues meant that many items were not delivered until 31st March 2022. The Health Board was aware of these issues which is why not all the available revenue and capital cash was drawn down from WG.

As reported in the February 2022 return, the health board only drew down in cash £48.5m of the approved CRL cash allocation and did also not draw down the £4.220m approved strategic cash support nor the remaining £9m of working capital cash approved.

11. Public Sector Payment Compliance (Table H)

The Health Board did not achieve the 95% PSPP target for quarter 4, compliance reducing to 91.9% for the quarter. The quarterly performance was severely impacted by a very poor performance of 80.04% in January 2022 due to the clearance of a backlog of nurse agency invoices following the appointment of additional staff to support the payment process as a result of the significant increase in the number of nurse agency shifts worked. Whilst compliance was achieved in February 2022 (95.82%) and in March 2022 (97.06%) the January 2022 performance resulted in the low quarterly performance. The impact of the final quarter performance was such that the cumulative performance for the year at 94.2% was below the 95% target.

As was reported at month 9, the Health Board continues to focus attention with staff across the health board in targeting the poor NHS payment compliance. Whilst this has not increased performance up to the 95% target, the quarter 4 performance of 91.3% represented a significant improvement on the quarter 3 performance (85.3%), quarter 2 (74.03%) and quarter 1 (81.03%)

Attention remains focussed on improving PSPP compliance for both NHS and Non NHS invoices.

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

The final position for 2021/22 shows a small underspend of £0.031m against the final CRL of £67.417m issued on the 5th April 2022.

13. Capital Disposals (Table K)

The sales of Coelbren, Fairfield, Trehafod and the transfer of the Laundry Service took place in 2021/22 with a combined NBV of £1.354m.

There remains a validation error on Table K linked to Table B. However Table B is a correct reflection of the Health Board position for 2021/22.

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 March 2022. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £1k at the end of March (February 2022 - £31k), with there being only 1 invoice in this category as compared to 6 at the end of February 2022. The invoice outstanding between 11 and 17 weeks has now been paid.

There were no invoices outstanding for more than 17 weeks at the end of March 2022.

15. Ring Fenced Allocations (Tables N & O)

Table N & O are completed quarterly. As per the M12/Quarter 4 submission, GMS expenditure is reporting an underspend of £0.440m and Dental expenditure is reporting an overspend of £0.198m.

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 26th April 2022.

Yours sincerely,



DARREN GRIFFITHS
DIRECTOR OF FINANCE



MARK HACKETT
CHIEF EXECUTIVE

Emma Woollett, Chair
Assistant Directors of Finance
NHS Financial Management
Mr Jason Blewitt, Audit Wales