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Dyddiad/Date: 11th June 2021

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

Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 31st MAY 2021

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31st May 2021. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 28th May 2021.

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

The Health Board has developed and submitted a draft 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 been advised to anticipate non-recurrent income to support the 20/21 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 |
| Forecast COVID expenditure | 93.710 |
| Forecast COVID income | -111.382 |
| 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 £22.738m against the initial financial plan savings requirement of £27.7m. The Health Board also has £4.164m of schemes currently assessed as red, which are being further developed and tested. Further work is underway to ensure that all opportunities identified by KPMG and other benchmarking and efficiency reviews are being pursued.

The Health Board has estimated costs of £93m in relation to the ongoing impacts of the pandemic on service delivery and the initial phase of service reset and recovery. This includes direct COVID impacts such as TTP and Vaccination as well broader service implications. It is anticipated that these costs will be supported by additional funding allocations. To date the Health Board has confirmed funding allocations of £45.6m with a further £65.7m to be confirmed. This is likely to change as guidance and modelling evolve over forthcoming months.

The Health Board will be submitting further recovery plans to Welsh Government.

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 and are not quantified in Table B2 at this point:

| Risk | Mitigation |
|---|---|
| Further COVID waves have greater impact than modelled | <ul style="list-style-type: none"> The impact of anticipated further waves is being closely monitored and consideration given for the impact on other aspects of service should a more material wave be experienced. |
| Efficiency opportunities not able to be delivered fully in one year | <ul style="list-style-type: none"> Drive for greater level of transactional savings whilst the efficiency opportunities are being further developed, planned and delivered. |
| LTA/SLA performance risk if they "go live" without renegotiation | <ul style="list-style-type: none"> This now appears to be unlikely as the recommendation of the group established by DOFs is that the current block arrangements should remain in place for the whole of the financial year. |
| Brexit impact on workforce availability and costs | <ul style="list-style-type: none"> This is being monitored closely. |

| Opportunities |
|---|
| COVID response cost requirement lower than anticipated |
| Increased level of non-recurrent opportunities |
| Slippage against internal and external investment plans |

In addition to the risks and opportunities quantified in table B3, there are two further emerging risks that need to be highlighted.

- A review of payment terms for staff supporting recovery work is underway nationally, this would impact on the Health Board cost base and the ability to deliver within the Recovery funding allocated.
- COVID expenditure has been included as a full year assessment, which has been offset with anticipated funding allocations. This poses two risks, firstly the costs are volatile and the assessment of costs has been based on broad assumptions which need to be further tested and secondly, the allocation of further funding will be dependent on funding made available to Wales and the decision of the incoming new Assembly Government.

3. Monthly Positions (Table B)

The Month 2 reported position is an in-month overspend of £0.565m and a cumulative overspend of £4.105m

Based on the initial plan deficit, an overspend of £4.068m would have been expected.

The key variances from forecast expenditure are :

- Provider non pay – this is a combination of reclassification of costs between non-pay and secondary care drugs and also slower than anticipated uptake of some elements of recovery and service investments
- Secondary Care drugs – increased growth and reclassification between non pay and secondary care drugs
- Joint Financing – related to delays in application of ICF and lower than forecast trace costs.

At the end of Month 2 the Revenue Resource Limit is under-phased by £10.5m, the reasons for this can broadly be described as follows:

- ICF expenditure expected later in the year
- NICE drugs expected growth
- Primary Care costs
- Pay reserves
- CHC expected growth and inflation
- Commissioner contracts
- COVID response
- Extended Flu
- Reinvestments to support efficiencies

The Month 2 position saw an improving position on workforce pressures. Mental Health and Learning Disabilities ChC growth continues to be a pressure area, however mitigating opportunities have been developed to support the management of this growth.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 2 is £2.128m, which is 4.2% of the overall pay expenditure and is £0.516m 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 – 49%
- Temporary Absence Cover – 9%
- Additional Support to delivery and performance – 14%
- COVID-19 – 28%

5. **COVID-19 (Table B3)**

The financial forecast for the 2021/22 financial year has been estimated as £93.7m. This has reduced from the estimated position in Month 1 due to lower than planned expenditure in Month 2. Further work is being undertaken to assess and forecast the ongoing costs, 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 is subject to change, particularly the assumptions for the second half of the financial year.

The £93.7m assessed cost covers the key expenditure areas:

- Contact Tracing £11.2m – the service modelling currently reflects the anticipated position for the first two quarters of the financial year. Given the reducing level of disease prevalence and positive testing in the final two quarters capacity has been assessed as 50% of current capacity. This will be reviewed over forthcoming months.
- Testing £2.9m – the same assumption has been applied to testing as for tracing.
- Vaccination £13.2m – the core vaccination plan is expected to be delivered by the end of Q2, the assessment anticipates a lower capacity requirement for Q3 and Q4 to support potential booster vaccination provision and any catch up requirement.
- Extended Flu £0.9m – this reflects the assessed costs of providing the flu vaccination to an extended cohort of the population.
- Cleaning Standards £2.3m – this reflects the enhanced cleaning standards provision and is expected to be a recurrent impact.
- Care Home Support £2.809m – this reflects the additional funding provided to Care Homes via Health Boards. This assessment is a full year impact, which is dependent on WG guidance and agreements.
- Other COVID costs £63.1m – this includes PPE £5.6m, Care Homes £2.8m, Recovery Phase 1 £16.2m and Sustainability £38.5m.

The Health Board has worked through the bed capacity modelling and is has a capacity plan that should support the identified level of service demand within the sustainability funding identified.

The Health Board has developed a range of further opportunities to support service recovery, through development of additional capacity, increased utilisation of existing capacity, development of longer term sustainable service and workforce models and deployment of outsourcing and insourced capacity. These recovery options require around £37m of additional funding in 2021/22. No further recovery resources will be committed without WG approval.

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

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

To date the Health Board plan has identified £22.738m of savings that have been assessed as green or amber. This includes £0.392m of income generation.

In addition to the green and amber schemes, there are currently £4.164m of red schemes that are being developed. The £4.164m reflects a part year effect of these savings.

The Health Board is developing a Savings Programme Management Office to support, assure and accelerate the delivery of planned savings. The PMO will also to identify further opportunities to bridge the current savings gap and to meet future savings and sustainability requirements.

7. Welsh NHS Assumptions (Table D)

Table D sets out the income and expenditure assumptions with other Health Boards.

All LTA and SLA documentation has been agreed and signed.

8. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

9. Cash Flow Forecast (Table G)

As at the end of May, the Health Board had a cash balance of £9.951m which was higher than the planned month end cash balance of between £1m and £2m. The health board increased its cash draw down for May in order to ensure that sufficient cash was available to make the bonus payment to staff, however, the actual cash payment was lower than that forecast by around £1.4m. In addition, supplier payment runs in the last week of May were lower than anticipated and the health board received a higher cash reimbursement from Welsh Risk Pool than anticipated, following the Welsh Risk Pool Committee meeting on 19th May.

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 a very early assessment of the impact of any movement in working capital balances on the cash position. This early forecast indicates an initial forecast cash deficit (taking into account anticipated allocations) of £26.741m. The cash flow is updated daily and a full review of the forecast will be undertaken at the end of June, based on the first quarter receipts and payments.

10. Statement of Financial Position (Table F)

There is no requirement to complete this table for Month 2.

11. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table for Month 2.

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

The forecast outturn shows an overspend position of £1.593m. Allocations are anticipated from WG which will neutralise this position.

Areas contributing to this overspend position have been highlighted within the table below and are classified as high risk:

| Scheme | £m / Risk Level | Narrative |
|--------------------|-----------------|--|
| Business Case Fees | 1.593 / High | Funding anticipated from WG to neutralise. |

13. Capital Disposals (Table K)

There are a number of planned property disposals with expected sale proceeds of £0.552m.

All of the property disposals have received Ministerial approval to proceed.

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 May. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £332k at the end of May 2021 (April 2021 - £30k), although this includes an invoice for £330k from WHSSC which only hit 11 weeks old on 31st May. The number of invoices in this category increased from 8 at the end of April to 9 at the end of May. Of the outstanding invoices between 11 and 17 weeks old, none have been paid since the end of May.

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

15. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables for Month 2. A balanced position is currently anticipated on all ring-fenced allocations.

There are 1 error on the return, which have been agreed with Andrea.

There is an error on Table A, relating to:

Line 21 – which we have agreed to review the phasing of

Line 30 – where we have included agreed adjustments

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

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 Lewis (Deputy Director of Finance), respectively.

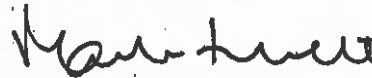
These Monitoring Returns incorporate the financials of the following hosted bodies: Delivery Unit and EMRTS.

These Monitoring Returns will be circulated to the membership of the received by the Health Board's Performance and Finance Committee on 22nd June 2021.

Yours sincerely,



SAMANTHA LEWIS
DEPUTY DIRECTOR OF FINANCE



MARK HACKETT
CHIEF EXECUTIVE

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

