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Dyddiad/Date: 11th March 2021

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

Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 28th FEBRUARY 2021

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 28th February 2021. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 22nd February 2021.

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)
<u>2020/21</u>	
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 commenced the financial year with an identified savings shortfall of £10m. The delivery opportunities for this remaining £10m have 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, however £1.6m delivery has subsequently been reported. During February the underachievement on planned savings as a result of the pandemic has remained the same at £8.217m.

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. These have been met with additional WG funding allocations.

The Health Board forecast was revised in Month 8 to £24.405m and the Health Board remains on track to deliver this forecast and will be endeavouring to manage any further opportunities and risks within this forecast position.

The income assumptions and the current phasing of the income are set out below:

Allocation	YTD	M12	£m
Field hospitals/surge	30.121	5.490	35.611
Workforce funding	6.831	-	6.831
ChC social care costs	2.422	0.483	2.905
Track & Trace	5.931	1.437	7.368
Optimising flows	0.356	0.838	1.194
Easter B/H working	0.213	-	0.213
MHSIF	0.451	-	0.451
PPE	7.085	1.559	8.644
Urgent Primary Care	0.091	0.088	0.179
Recovery & Assess	0.822	0.475	1.297
Winter Funding	0.312	0.396	0.708
Independent Sector	0.400	0.644	1.044
Flu Vaccination	0.793	0.100	0.893
Voluntary Sector MH	0.200	-	0.200
Mass Vaccination	1.800	1.810	3.610
Annual Leave	-	11.615	11.615
Improved Ventilation in Dental Practices	0.067	-	0.067
All Wales Christmas Bank Holiday DES (GMS) funding	0.046	-	0.046
Additional Pharmacy	0.450	0.225	0.674
General Allocation	43.902	4.298	48.200
Total	102.292	29.458	131.750

2. Underlying Position (Table A1)

The underlying position reported of £42m reflects an initial deficit plan of £24m plus £18m recurrent savings non-delivery. This is subject to further test an analysis through the process we have in place to develop our 2021/22 financial framework in support of our

integrated Annual Plan. There will inevitably be ongoing financial consequences of the pandemic both directly such as TTP and Vaccination and indirectly such as loss of income, increased costs of PPE, elective care recovery and these costs are being considered as new year costs within the 2021/22 financial plan.

3. Risks (Table A2)

The Health Board is required to manage risks and opportunities within its plan submission these are regularly reviewed to enable any impact to be managed within the Health Board financial position.

All of the risks and opportunities, with the exception of the non-delivery on amber savings schemes were removed from Table A2 in Month 8 following discussions with Welsh Government which have clarified handling of key risk assumptions. In addition, the Health Board has identified mitigating actions to manage the local risks and this has supported the revised position this month. Whilst the Health Board is still managing risks and seeking further opportunities these will be managed internally with only significant changes reported on Table A2.

There are some key areas of volatility and variability within the financial position, including the annual leave accrual, which are being managed to deliver the forecast.

4. Monthly Positions (Table B)

The Month 11 cumulative reported position is an overspend of £22.333m. The in-month overspend position of £1.757m was £0.144m lower than forecast. The key drivers of this were

- PPE – significantly lower than previous months
- Variable Pay costs – reductions due to improving operational position and reducing levels of staff unavailability
- Drugs – further service disruption to key high cost drugs areas, Cancer services and MS.

The COVID-19 cumulative net impact to the end of February 2021 has been assessed as £102.292m. 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, allocations of £102.292m have been received or assumed up to the end of Month 11, giving both a cumulative and year-end forecast breakeven position.

The operational deficit at Month 11 is £0.038m with a year-end forecast breakeven position.

At the end of Month 11 the Revenue Resource Limit is under-phased by £34.2m, the reasons for this can broadly be described as follows:

- Field Hospital set up costs £2.3m
- Field Hospital decommissioning costs (£4.4m)

- Additional staff costs £0.7m
- ICF/Transformation & Innovation expenditure expected later in the year (£0.1m) – no slippage, actual invoices received or accruals made.
- NICE drugs expected growth (£0.7m) – potentially some slippage.
- Pay reserves (£1.3m) – fully committed.
- Non pay reserves (£4.5m) – fully committed.
- Capacity (£2.8m) – fully committed.
- CHC expected growth (£1.1m) – expected to be utilised to pay ongoing additional payments to providers.
- Commissioner contracts (£1.4m) – fully committed.
- Risk pool liability plus clinical negligence & losses (£3m) – invoice expected from NWSSP and year end adjustments.
- Primary Care costs (£3.8m) – potential slippage on extended flu vaccination costs.
- Track & trace costs (£0.8m) – potentially some slippage on Local Authority tracing costs, but this will be recovered by Welsh Government.
- Annual leave accrual (£10.6m) – to be fully utilised to increase balance sheet accrual.
- Mass Vaccination (£1.6m) – expected to be fully utilised
- Outsourcing (£1.1m) – expected to be fully utilised.

All of these are still assumed to be fully committed and whilst there may be slippage on some areas this will be managed within the overall Health Board position.

The overall expenditure incurred in February 2021 was £2.4m lower than forecast, with the most significant differences in the following areas:

- Primary Care Contractor (£0.8m) – a reduction in the estimate of the extended flu vaccination costs.
- Primary Care Drugs (£1.2m) – mass vaccination costs expected to materialise in March.
- Secondary Care Drugs (£0.9m) – NICE drug expenditure continues to be at a lower than expected value.
- Healthcare Services Provided by Other NHS Bodies (£2.2m) – WHSSC contract adjustment.
- Continuing Care and Funded Nursing Care (£1.1m) – Adult Care provider costs expected in March.
- Joint Financing and Other £7.2m increase in month – significant costs have been included in February relating to ICF expenditure, which was primarily profiled in March.
- Losses, special payments and irrecoverable debts (£1.5m) – costs expected to arise later in the year.

There has also been some movement in the forecast annual expenditure:

- Primary Care Contractor reduction of £1.1m – a reduction in the estimate of extended flu vaccination costs. This has been reflected in reduced funding allocation.
- Provided Services Non Pay increase of £2.4m – additional committed year end expenditure.

- Healthcare Services Provided by Other NHS Bodies £1.6m – WHSSC contract adjustment.
- Secondary Care – Drugs reduction of £0.9m – NICE drug expenditure continues to be at a lower than expected value.

5. Pay & Agency Expenditure (Table B2)

The Health Board pay spend in Month 11 is slightly lower than forecast. There are still substantial overtime and agency costs, though the levels have reduced from those reported in January. The uptake of enhanced overtime rates has been higher than anticipated and has been welcomed in increasing workforce supply during this challenging period. Measures are being taken to ensure that staff wellbeing is protected during this period. Despite the field hospital not being operationalised in February 2021 a significant amount of internal surge capacity remains open driving additional cost.

The Health Board Agency expenditure for Month 11 is £2.442m, which is 4.7% of the overall pay expenditure and is £0.222m greater than the same period in 2019/20.

The Health Board anticipated that there would be a significant increase in the level of agency spend as availability increased, we are also seeing increased costs for substantive staff, including overtime.

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, the COVID impact is particularly difficult to assess from the booking systems and only reflects the cover of COVID related absence not the additional capacity requirements as a result of the pandemic. We are further reviewing this information to improve the analysis.

- Vacancy Cover – 55%
- Additional Support to delivery and performance – 12%
- Temporary Absence Cover – 8%
- COVID-19 – 25%

Table B2 includes £11.6m to account for an increased annual leave accrual. This has been assessed using a range of data sources to provide sample averages based on the assumption that the proportion of annual leave entitlement taken in Q4 will be similar to that experienced in the first three quarters of the year. The estimated impact by staff group is set out in the table below.

Staff Group	Estimated Outstanding Days	Estimated Total Accrual £	Less Current Accrual £	Estimated Accrual Increase £
Add Prof Scientific and Technic	3.09	208,338	6,606	201,732
Additional Clinical Services	3.90	948,356	23,788	924,568
Administrative and Clerical	7.10	2,483,935	84,443	2,399,492
Allied Health Professionals	5.33	848,989	19,017	829,971
Estates and Ancillary	4.00	441,605	17,715	423,890
Healthcare Scientists	4.70	258,469	19,854	238,615
Medical and Dental	10.00	4,095,367	524,774	3,570,593
Nursing and Midwifery Registered	5.00	3,063,958	37,604	3,026,354
Grand Total		12,349,015	733,801	11,615,213

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

The COVID-19 impact for February 2021 has been assessed as £8.510m.

The Month 11 actual costs are significantly lower than the £14.899m forecast. The key differences relate to the field hospital set up costs, field hospital consequential costs, decommissioning costs for Llandarcy, optimising flows expenditure and additional costs of adult care homes not being incurred in Month 11, these are still anticipated to be incurred later in the year.

The financial forecast for COVID-19 for the 2020/21 financial year has been assessed as £131.750m which is a reduction of £3.385m on last month, against anticipated funding of £131.750m. The key movement relates to the reduced estimates for extended flu vaccinations and mass vaccination costs and reduced figures for Local Authority tracing.

The COVID forecast now includes the costs of:

- PPE – forecast now reflects expected costs as opposed to the Welsh Government allocation
- Field Hospital – change to planned usage as a result of modelling
- Internal Surge Capacity – costs and assumptions for use of internal surge
- Extended Flu Campaign – costs and assumptions for extended flu included in forecast
- Winter Plan Priorities – based on the 4 key priorities
- Essential Services – the impact of delivering and maintaining essential services
- Digital Service Impacts
- Looked After Children
- Additional Annual Leave Accrual
- Mass Vaccination Programme

It should be noted that the contact tracing forecast included in table B3 is below that maximum allocation. The allocation for TTP has already been issued in full, however

there is forecast slippage of £1.314m on Local Authority tracing costs, this has been removed by including a resource allocation adjustment on Table E.

The estimated costs of the extended flu vaccination programme amounting to £0.893m have been included in Table B with £0.525m in Primary Care Contractor costs, £0.350m in primary care drugs and the balance in pay expenditure.

Table B3 also includes the reduction in patient dental income amounting to £3.6m year to date with the annual forecast assessed as £3.8m.

7. Savings Schemes C, C1 & C2

The Health Board financial plan identified a £23m savings requirement for 2020/21 to support the delivery of the £24.4m deficit financial plan.

The Health Board commenced the financial year with an identified savings shortfall of £10m. The delivery opportunities for this remaining £10m 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.

The initial response to COVID-19 and the planning for essential services and a further potential wave has required all management capacity and focus and this has resulted in progress on savings being halted, which has impacted both on the delivery of the Green and Amber schemes and also in the development of the further schemes.

The savings delivery to Month 11 is £5.747m against a planned delivery of £19.449m. The impact of non-delivery of savings to Month 11 is therefore £13.702m. We will aim to manage the impact of any further slippage on savings within the current forecast.

8. 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.

9. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

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 increased slightly from £9.942m at the end of January 2021 to £9.994m at the end of February 2021, an increase of £0.052m. The increase relates to drugs stocks.
- There was an increase in trade receivables from £198.096m at the end of January to £203.462m at the end of February 2021, an increase of £5.366m. There was an increase of £5.514m in the Welsh Risk Pool debtor for clinical negligence cases following the receipt of the month 11 quantum reports from NWSSP Legal and Risk Services. There was a small reduction in other trade receivables spread across all categories of receivable items.
- The closing February 2021 cash balance of £12.570m was significantly above the WG best practice cash target for the health board of £6m. The higher cash balance was due to lower than forecast supplier payments during February 2021. This was attributable to NWSSP Accounts Payable experiencing difficulties in processing OCR transactions in February 2021 resulting in a backlog of invoices to be processed. The primary reason for the backlog was from system issues that arose from an essential upgrade to the OCR database towards the end of January 2021. As a consequence of these issues, NWSSP Accounts Payable lost up to a week's processing. Accounts Payable have trained up additional resources and a number of Accounts Payable staff are working overtime to tackle this backlog to ensure that the backlog will be cleared by the end of March 2021, possibly earlier.
- The trade and other payables figure saw an increase from £177.312m at the end of January 2021 to £179.611m at the end of February 2021, an increase of £2.299m. Due to the delays in processing of AP invoices, the increase was mainly in respect of goods received not invoiced (£2.072m) with accrual for non-purchase order invoices not yet received also increasing due to the backlog of invoices in Accounts Payable.
- Provisions increased from £154.124m at the end of January 2021 to £161.458m at the end of February, an increase of £7.334m. The increase was primarily due to the provision for clinical negligence claims arising from the month 11 quantum reports received from Legal and Risk Services (£6.247m) with the remainder of the increase being in respect of the provision for the costs of decommissioning the COVID surge capacity of £0.994m.

The forecast year-end balance sheet represents the best estimate of the likely year-end position at this point in time and has been updated to reflect the impact of the latest clinical negligence and personal injury quantum reports from Legal and Risk Services and the forecast increase in accrual for untaken annual leave.

11. Cash Flow Forecast (Table G)

As detailed above, at the end of February the Health Board had a cash balance of £12.570m which was significantly above the Welsh Government best practice cash target for the Health Board of £6m, for the reasons identified in section 10 above.

On 25th January 2021, confirmation was received from Welsh Government that cash support amounting to £12.655m, comprising £2.378m of cash support for movement in

working capital balances and £10.277m strategic cash support had been approved and would be available for draw down in March.

The latest capital forecast position estimates a closing capital creditor balance broadly in line with the balance as at 31st March 2020, partly as a result of items funded from recent capital allocations not due to be delivered until the last week of March and therefore not paid in cash until early April. As a result the working capital cash available for the movement in capital creditors available through the CRL will not be drawn down in cash prior to 31st March. Table G therefore shows a variance of £2.378m between the Welsh Government capital cash draw down line and the capital drawing limit on table E.

At this stage (based on actual receipts and payments to 9th March 2021 and forecast receipts and payments for the remainder of March 2021) it is probable that the £10.277m strategic cash support available to the Health Board will also not be required to be drawn down from Welsh Government and as a result table G shows a variance of £10.277m between the Welsh Government revenue cash draw down line and the revenue drawing limit on table E.

The latest cash forecast with the strategic cash support and working capital cash support not being drawn down is a closing cash balance of £11.730m. Daily cash team meetings are taking place to monitor the cash position and all approved invoices are being paid with immediate payment terms by Accounts Payable. Finance staff are working with Accounts Payable and service managers and budget holders across the health board to identify, authorise and process invoices for payment as quickly as possible with the aim of reducing this forecast year end cash balance.

A final decision will be made and communicated to Welsh Government on 19th March 2021 as to whether any of the strategic cash support will be drawn down, taking into account actual receipts and payments to that date, forecast receipts and payments for the remainder of March and the forecast closing cash balance at that time.

12. Public Sector Payment Compliance (Table H)

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

13. Capital Resource/Expenditure Limit Management and In Year Profiles (Tables I & J)

The forecast outturn shows an overspend position of £2.101m. There are a number of known funding adjustments for submitted schemes, which will neutralise this position. The plan takes account of the latest estimates for COVID-19 expenditure across our surge capacity, Field Hospitals and new ways of working, including home working.

Following on from the quarter 2 planning guidance and agreement by Welsh Government at our July 2020 CRM, a revised discretionary plan was approved by the Board at its July 2020 meeting. The plan remains balanced, but has been adjusted through changes to schemes profiles and reductions in some discretionary allocations and switching between AWCP schemes to mitigate the adverse national funding position, while trying to maintain delivery and pace on a number of critical priority projects.

The main areas contributing to this overspend position have been highlighted within the table below and are classified as high risk.

Scheme	£m / Risk Level	Narrative
COVID Decommissioning Costs	0.994 / High	Funding letter received.
Children's Centre ICF	0.100 / High	Funding letter received.
COVID Immunisation	0.126 / High	Funding letter received
Community Nursing IT	0.232 / High	Funding letter received
Imaging	0.649 / High	Funding letter received
EDCIMS	0.205 / High	Mixed allocation with Discretionary.
Re- Fit Carbon Reduction Project	(0.136) / High	Mixed allocation with Discretionary.
Gamma Cameras	(1.850) / High	Mixed allocation with Discretionary.
NPT MRI	(0.164) / High	Mixed allocation with Discretionary.
Singleton Cladding	(0.216) / High	Mixed allocation with Discretionary.
CT Sim	2.003 / High	Mixed allocation with Discretionary.

Since the start of the COVID-19 pandemic, we have experienced some delays with financial impacts across a number of our building and engineering schemes. 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. The delays being experienced have increased over the last few weeks, with challenges being experienced with contractors and design teams being available on-site. We are also noticing significant increases to the lead times for delivery of equipment orders, including IT devices.

Our impairment and depreciation estimates remain unchanged at this point. These are likely to alter as we receive valuations on schemes due to complete this month and the impact from the receipt of the national equipping donated assets.

14. Capital Disposals (Table K)

There are a number of planned property disposals with expected sale proceeds of £0.341m.

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

15. 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 £251k at the end of February 2021 (January 2021 - £211k) with the number of invoices in this category increasing significantly from just 1 at the end of January 2021 to 17 at the end of February 2021. It is particularly disappointing to note that of these 17 invoices, 15

were agreed for payment as part of the month 8 agreement of balances exercise. The non-payment of these invoices has been escalated with those health boards. Of these 17 invoices, 2 have been paid since the end of February 2021 amounting to £0.2k.

There were no invoices outstanding for more than 17 weeks at the end of February 2021.

16. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables for month 11. GMS is currently forecast to broadly breakeven and dental expenditure is forecast to underspend by £2,809 however this underspend is more than offset by the reduction in dental patient income.

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


In the absence of the Chief Executive, the monthly monitoring return submission will be approved by Dr Richard Evans (Deputy Chief Executive).

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 23rd March 2021.

Yours sincerely,


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DIRECTOR OF FINANCE (INTERIM)


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MARK HACKETT
CHIEF EXECUTIVE

Emma Woollett, Chair
Assistant Directors of Finance
NHS Financial Management
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