

Dyddiad/Date: 14th May 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 30th APRIL 2021

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 30th April 2021. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 29th April 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.

	21-22 Annual Plan £m
20/21 Underlying Position	42.08
Cost pressures	25.60
WG Allocation	-15.10
Investment Commitments	8.50
Planned Savings	-27.70
Reinvestment to Support Savings	8.70
Forecast Position pre COVID	42.08
Forecast COVID Expenditure	99.00
Forecast COVID Income	-99.00
Forecast Position post COVID	42.08

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 £22.9m against the initial financial plan

savings requirement of £27.7m. The Health Board also has £3.548m 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 £99m in relation to the ongoing impacts of the pandemic on service delivery and 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 £53.4m to be confirmed. This is likely to change as guidance and modelling evolve over forthcoming months.

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	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	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	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	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 1 reported position is an overspend of £3.541m.

Based on the initial plan deficit, an overspend of £3.506m would have been expected.

At the end of Month 1 the Revenue Resource Limit is under-phased by £6.3m, 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
- Risk pool liability
- COVID response
- Extended Flu
- Reinvestments to support efficiencies

The Month 1 position saw pressures on workforce costs on nursing and medical over and above anticipated COVID impact. The other growing pressure is in MH and LD ChC. Both of these issues will be further reviewed in forthcoming month.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 1 is £2.178m, which is 4.3% of the overall pay expenditure and is £0.294m 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 been as granular as in previous submissions.

- Vacancy Cover – 48%
- Temporary Absence Cover – 9%
- Additional Support to delivery and performance – 14%
- COVID-19 – 29%

5. COVID-19 (Table B3)

The revenue financial cost forecast for the 2021/22 financial year has been estimated as £99.004m, 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 £99.004m assessed cost covers the key expenditure areas :

- Contact Tracing £11.7m – 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 £2.898m – the same assumption has been applied to testing as for tracing.
- Vaccination £13.161m – 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 £2.304m – 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.
- PPE – this cost assessment has reduced significantly from the draft plan as the information provided by NWSSP, related to all stores issues not just PPE. The PPE assessment has been based on estimates and will continue to be reviewed as Month 1 expenditure was lower than expected.
- General COVID £43.2m – the Health Board has been allocated £21.6m to support costs in the first 6 months. The costs currently being incurred are being reviewed and exit strategies developed wherever appropriate. It is however expected that a proportion of the costs will continue longer term linked to the need to sustain service model changes. For the purpose of full year forecasting a similar level of income loss and cost has been assumed for the second six months of the year. To note dental income and expenditure reductions have only been included for the first six months.
- COVID Recovery £16.243m – the Health Board has had £16.243m funding confirmed to date. The forecast reflects income and expenditure to this level. No further costs will be committed without further funding allocation being confirmed.

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 has identified £22.942m of savings that have been assessed as green or amber. This includes £0.392m of income generation.

In Month 1, there is slippage of £65k against the planned savings and this is currently forecast to be £615k in the full year. Clearly at this early stage in the year, every effort is being made to reduce and eliminate this slippage.

In addition to the green and amber schemes, there are currently £3.548m of red schemes that are being developed. The £3.548m reflects a part year effect of these savings.

The current shortfall of green and amber savings and the slippage have been attributed against the COVID response funding allocation, within Table B3.

7. Welsh NHS Assumptions (Table D)

Table D sets out the income and expenditure assumptions with other Health Boards. The figures are currently based on the year end TMS values, and will be updated to reflect the signed LTAs for Month 2.

LTA and SLA documentation was agreed and signed at the end of March for contracts held by Swansea Bay with Aneurin Bevan, Cardiff and Vale and Hywel Dda. Documentation values and narrative have been agreed for LTA and SLAs with Cwm Taf Morgannwg and are awaiting signature. The remaining agreements with WHSSC, Velindre, Powys and Public Health Wales are on course for agreement and signature in line with the June deadline.

8. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

9. Cash Flow Forecast (Table G)

There is no requirement to complete this table for Month 1.

10. Statement of Financial Position (Table F)

There is no requirement to complete this table for Month 1.

11. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table for Month 1.

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

There is no requirement to complete this table for Month 1.

13. Capital Disposals (Table K)

There is no requirement to complete this table for Month 1.

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 April. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £30k at the end of April 2021 (March 2021 - £32k) with the number of invoices in this category reducing from 13 at the end of March 2021 to 8 at the end of April 2021. Of the outstanding invoices between 11 and 17 weeks old, 3 have been paid since the end of April 2021.

There are no invoices outstanding for more than 17 weeks at the end of April 2021.

15. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables for Month 1. A balanced position is currently anticipated on all ring-fenced allocations.

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 circulated to the membership of the received by the Health Board's Performance and Finance Committee on 25th May 2021 and will be referenced in the Director of Finance (interim's) report to the Board on 27th May 2021.

Yours sincerely,



DARREN GRIFFITHS
DIRECTOR OF FINANCE (INTERIM)



MARK HACKETT
CHIEF EXECUTIVE

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