☎ (01639) 683303
☎ WHTN (01787) 3303
darren.griffiths@wales.nhs.uk

Dyddiad/Date: 12th November 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 31st OCTOBER 2020

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31st October 2020. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 23rd October 2020.

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)
2020/21	
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 some delivery has subsequently been reported.

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.

The Health Board revised forecast reflects the Q3/Q4 modelled planning assumptions for service and workforce. The forecast includes the WG allocation as notified within the Q3/Q4 operating framework and assumes funding in respect of national allocations.

The Health Board forecast has been revised from £26.431m in Month 6 to £25.431m in Month 7 to reflect the advice to anticipate funding to cover the costs of decommissioning surge capacity.

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

Allocation	YTD	M08	M09	M10	M11	M12	£m
Field hospitals/surge	29.803	2.526	0	0	0	3.000	35.329
Workforce funding	6.831	0	0	0	0	0	6.831
ChC social care costs	1.200	1.705	0	0	0	0	2.905
Track & Trace	1.848	1.181	1.153	1.156	1.150	1.153	7.641
Optimising flows	0.356	0.838	0	0	0	0	1.194
Easter B/H working	0.213	0	0	0	0	0	0.213
MHSIF	0.451	0	0	0	0	0	0.451
PPE	4.484	0.766	0.750	0.750	0.750	0.750	8.250
Urgent Primary Care	0	0	0.071	0.071	0.071	0.070	0.283
Recovery & Assess	0	0	0.325	0.324	0.324	0.324	1.297
Winter Funding	0	0	0.518	0.519	0.519	0.519	2.075
Independent Sector	0.400	0.080	0.080	0.080	0.080	0.080	0.800
Flu Vaccination	0	0.858	0.510	0.206	0.206	0.206	1.986
General Allocation	22.905	5.732	5.072	5.103	4.762	4.626	48.200
Total	**68.491**	**13.686**	**8.479**	**8.209**	**7.862**	**10.728**	**117.455**

2. Risks (Table A2)

The Health Board included key risks and opportunities within its plan submission these are regularly reviewed and opportunities considered to mitigate where possible. The risks and opportunities have been further refreshed and aligned with the Q3/Q4 Operational Plan.

The Month 7 key risks and opportunities are therefore:

- HCSW banding – the claim has been accepted by the Health Board and the financial impact has been assessed as £0.15m. This is likely to be paid in forthcoming months and will be removed from Opportunities and Risks schedule.
- Final pension charge costs – the Health Board had initially assessed this risk as £1m based on the costs incurred during 2019/20 and some specific senior post retirements. To date only one invoice has been received and further advice from pensions has mitigated the risk on some of the posts that were anticipated to trigger a significant charge. The most likely impact has been reduced to £0.5m.
- NICE and high cost drugs – the impact of changes in service provision on NICE and high cost drugs are being closely monitored along with the implementation of new technologies. The expenditure remains very volatile and impacted by service provision. The risk has been reduced this month to £0.5m.
- Essential Services – the Q3/Q4 operational plan has reflected the key additional capacity to support Essential services including some use of external capacity. As service demands increase, there may be further requirements identified and supported to minimise patient harm.
- Additional Capacity – the Q3/Q4 operational plan has been developed around demand and capacity modelling. The operational plan and financial forecast reflects the requirement for surge and super surge capacity to be deployed, the workforce required to support this and the implications on services and risk profiles to ensure workforce availability. There is a potential for further costs should workforce availability assumptions change.
- Funding Assumptions – the forecast recognises the funding allocation noted in the Operating Framework and also assumes funding from National allocations. If these are not fully agreed then the forecast position would be adversely impacted. The risk associated has been amended in month 7 to reflect further agreed allocations.
- LTA arrangements – the forecast assumes that the LTA block arrangements in place during 2020/21 remain in place for the remainder of the financial year.
- Primary Care Prescribing Price Concessions – the forecast has included an increased level of price concessions based on Quarter 1 data. This is an area of volatility and if price concessions reduce then the forecast will also reduce.
- Further Savings Delivery – the Health Board has reinvigorated its focus on savings delivery opportunities, particularly those focussed on service efficiency to support the reset and recovery of services to the most efficient new norm. However, as we move into the challenging winter period, the ability to focus and drive efficiency opportunities is likely to reduce hence the revised opportunity.
- Demand requirements – this opportunity has been removed from Table A2 as it is now anticipated that all elements of surge and super surge capacity will be required.
- Slippage on planned expenditure – the forecast already includes the assessed slippage on planned investments, however there is a potential for further slippage against planned expenditure, including directed and ring-fenced funding. This value has been revised to reflect current estimates.
- Decommissioning costs – the forecast includes decommissioning costs of both the field hospital and internal surge capacity, however it is as yet unclear whether the decommissioning will take place in 2020/21. Funding has now been assumed for both the field hospital and surge decommissioning, these have been removed from Table A2 and the forecast reduced by £1m. There may be a change to this planning assumption as the model for vaccination becomes clearer (see Section 5 for more detail).

The forecast does not include the assessed costs of a potential mass COVID-19 vaccination campaign. It is assumed that funding will be provided to meet any costs incurred.

3. Monthly Positions (Table B)

The Month 7 cumulative reported position is an overspend of £14.825m.

Based on the initial plan, a cumulative overspend of £14.2m would have been expected. The key driver of the excess overspend is the additional costs of TAVI, which WHSSC have now confirmed as a provider issue.

The COVID-19 cumulative net impact to the end of October 2020 has been assessed as £69.029m. 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 £68.491m have been received or assumed up to the end of month 7.

At the end of Month 7 the Revenue Resource Limit is under-phased by £19.1m, the reasons for this can broadly be described as follows:

- Field Hospital costs £9.6m
- Additional staff costs £2.8m
- ICF expenditure expected later in the year (£5.7m)
- NICE drugs expected growth (£2.0m)
- Pay reserves (£2.7m)
- Non pay reserves (£3.6m)
- Capacity (£3.3m)
- CHC expected growth (£2.3m)
- Commissioner contracts (£1.5m)
- Risk pool liability (£1.3m)
- Transformation & Innovation future costs (£2.2m)
- Primary Care costs (£4.2m)
- Track & trace costs £(2.7m)

Whilst these are assumed to be fully committed, each area is being reassessed to ensure that opportunities to support the current Health Board position are being maximised.

The overall expenditure incurred was £10.5m lower than forecast, with the most significant differences in the following areas:

- Provider Services Pay £0.5m – additional COVID related costs as set out on Table B3.
- Provider Services Non Pay £1.4m – the majority of these costs have been moved to November as they represent the decommissioning costs for the Llandary field hospital which are still due.
- Secondary Care Drugs £0.9m – NICE drug expenditure continues to be at a lower than expected value. In addition the costs of the additional flu vaccines have been reclassified as primary care drug expenditure.

- Healthcare Services Provided by Other NHS Bodies £1m – costs have been reclassified partially to non-pay to reflect TAVI spend within the organisation as opposed to WHSSC payments.
- Continuing Care and Funded Nursing Care £1m – Adult social care support costs now assumed in November.
- Joint Financing £5.3m – Final field hospital set up costs and optimising flows funding due to Local Authorities, the expenditure is now assumed in November but has been reduced by £2m in total to reflect the revised set up costs of the field hospitals.
- Losses, special payments and irrecoverable debts £0.5m – costs expected to arise later in the year.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 7 is £1.913m, which is 3.6% of the overall pay expenditure and is £0.019m less than the same period in 2019/20.

The agency expenditure is expected to be increase in coming months as the service demand and staff unavailability increases. The Health Board is however aware of the supply limits.

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. We are further reviewing this information to improve the analysis.

- Vacancy Cover – 61%
- Temporary Absence Cover – 8%
- Additional Support to delivery and performance – 19%
- COVID-19 – 12%

5. COVID-19 (Table B3)

The COVID-19 impact for October 2020 has been assessed as £7.928m. This is made up as follows:

	Month 1 Actuals £m	Month 2 Actuals £m	Month 3 Actuals £m	Month 4 Actuals £m	Month 5 Actuals £m	Month 6 Actuals £m	Month 7 Actuals £m	Cumulative Actuals £m
Impact on Savings Delivery	1.749	1.480	1.318	1.321	1.310	1.394	1.364	9.936
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	5.972	7.111	70.095
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-0.852	-0.642	-8.306
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-0.450	0.095	-2.696
TOTAL COVID-19 IMPACT	**3.338**	**8.192**	**25.657**	**12.070**	**5.780**	**6.064**	**7.928**	**69.029**

The Month 7 actual costs are significantly lower than the £16.582m 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 7, these are still anticipated to be incurred

later in the year, although the estimated set up costs of the field hospitals have reduced by £2m.

The financial forecast for COVID-19 for the 2020/21 financial year has been assessed as £118.926m, with anticipated funding of £117.455m. It should be highlighted that 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 remains subject to the potential for change.

The COVID forecast now includes the costs of

- PPE – increased forecast due to increasing costs from NWSSP
- 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

It should be noted that the contact tracing forecast included in table B3 is below that maximum allocation and this has currently been adjusted through the anticipated allocations, so no benefit has been taken in the current reported position or included in the overall forecast as it is assumed that funding will match costs incurred. Clearly if the levels of infection escalated the tracing cost forecast may also increase.

The estimated costs of the extended flu vaccination programme amounting to £1.986m have been included in Table B3, no costs have been incurred to date, but the phasing of costs is expected to be 59% GMS, 39% primary care drugs and 2% pay expenditure each month.

The forecast does not include the assessed costs of providing a COVID-19 mass vaccination plan as this is still being developed. However, within the developing plan the Health Board has assessed its options for the management and delivery of this programme and plan to utilise existing spare capacity at the Bay Field Hospital to establish the main mass vaccination site and key hub for booking of citizens and storage and distribution of the vaccine. In utilising the Bay Field Hospital as the mass vaccination centre, this potentially moves the cost of decommissioning the hospital into 2021/22 thereby avoiding decommissioning costs in 2020/21, but importantly this then releases the funding set aside for this in 2020/21. This will be reflected in future monitoring return submissions as the position is confirmed and approved by the Board, along with the developing revenue model for our vaccination programme.

A financial framework has been developed and is under routine scrutiny and refinement based on the movement in the care system across the Health Board. The commitments within this plan are also under routine review to ensure that the Board retains its commitment to work in the public interest and also that due diligence and value for money are observed and enacted.

As our financial approach matures we will be considering the further opportunities to support the care requirements of our population in the presence of COVID-19, maintain

good governance and deliver clarity of analysis to support the best decision making we can in the dynamic environment. By working in this way we intend to maintain absolute transparency in our financial forecasts and to engage fully with Welsh Government colleagues on the resource handling at this unprecedented time.

6. 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 7 is £3.245m against a planned delivery of £11.948m The impact of non-delivery of savings to Month 7 is therefore £8.703m.

7. 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.

8. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

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 £9.825m at the end of September to £9.451m at the end of October, a reduction of £0.374m. The reduction is primarily due to a reduction in drugs stocks of £0.283m and a reduction in blood products stock of £0.074m.

- There was an increase in trade receivables from £172.387m at the end of September to £174.858m at the end of October, an increase of £2.471m. The increase is primarily due to an increase in the Welsh Risk Pool debtor, partly as a

result of the impact of the 2nd quarter quantum reports for clinical negligence and personal injury received from NWSSP Legal and Risk Services and partly as a result of two large claims submitted to Welsh Risk Pool having not yet been reimbursed. This is due to delays at Welsh Government in reviewing the learning from these claims which prevents them being submitted for reimbursement to the Welsh Risk Pool Committee. This issue also affects other health boards and was raised at the recent TAG WRPS sub group. The group were advised that WG are in the process of clearing the backlog of such claims.

- The closing October cash balance of £4.992m was above the month end cash target set by the health board of between £1m and £2m. The higher than planned cash balance was due to lower than forecast supplier payments being made in month by NWSSP Accounts Payable. The cash draw down for November has been adjusted to take into account the high closing October cash balance with the aim of reducing the month end cash balance for November back to within the range of between £1m and £2m.

- The trade and other payables figure saw an increase from £165.905m at the end of September to £168.695m at the end of October, an increase of £2.790m. This increase was primarily due to an increase in the tax and NI creditor due for payment in November following the medical and dental pay award paid in October. There was also an increase in of accruals for Continuing Healthcare Invoices (CHC) not yet received.

- Provisions increased from £134.377m at the end of September to £137.332m at the end of October, an increase of £2.955m. The increase was due to an increase in the clinical negligence provision following receipt of the 2nd quarter quantum reports for clinical negligence and personal injury from NWSSP Legal and Risk Services. This increase is largely offset by the increase in the Welsh Risk Pool debtor.

The forecast year-end balance sheet represents the best estimate of the likely year-end position at this point in time, but is liable to change as we move through quarter 3 and the impact of performance against the quarter 3 plan becomes clear.

10. Cash Flow Forecast (Table G)

As detailed above, at the end of October 2020, the Health Board had a cash balance of £4.992m which was above the planned month end cash balance of between £1m and £2m.

Whilst there remains some uncertainty with regard to the forecast cash movements, particularly in relation to working capital balances, the current forecast year-end cash deficit amounts to £14.117m as detailed in the table below. The forecast is based on the forecast year end revenue deficit, receipt of anticipated allocations from Welsh Government, as detailed in table E and an early estimate of movements in working capital balances on the cash position.

	£000
Forecast I&E Deficit	(25,431)
Forecast movement in revenue working balances (Payables, receivables and inventories)	11,523
Forecast movement in capital payables	(1,945)
Forecast cash impact of movement in provisions	1,250
Opening cash balance	486
Forecast cash Deficit	**(14,117)**

You will also note from the Statement of Financial Position that the opening cash balance for 2020/21 of £0.486m comprises £0.749m revenue, offset by a negative capital balance of £0.263m. In order to address this imbalance therefore this amount of £0.263m will need to be added to the current forecast movement in capital working capital balances, giving a capital working capital cash request of £2.208m. Whilst no revenue working capital cash support is identified as required at this time, strategic cash support will be required of £12.409m which based on the current forecast and after receipt of capital working capital balances cash support will result in a year end cash balance of £0.5m.

The cash flow is updated daily and a full review of the forecast is undertaken at the end of each month taking into account movements in the forecast year end deficit and the latest estimates of the movement in working capital balances.

11. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table for month 7.

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

The forecast outturn shows an overspend position of £0.785m. 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 Board approved continuation with the design works on the Singleton cladding and maintaining the cancer clinical pathways through the letting of contracts for the replacement of the ageing CT-Simulator at the West Wales Cancer Centre. In making these changes, we have assumed that once the national funding situation improves, the plan can then revert to its original intentions. The plan also reflects the Q3/Q4 planning guidance.

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

Scheme	£m	Narrative
Perinatal Mother & Baby Unit at Tonna Hospital	0.104	Following Ministerial approval to proceed with the full design and tender of the interim solution at Tonna, costs increased during the full design. Tenders were received and on-site works started during October.
COVID-19	0.631	This reflects the latest COVID-19 return submitted to Welsh Government. The majority of the equipping costs for the Field Hospitals have been excluded from the submitted figures, as they have been reflected in revenue, given there will be no long term asset.
PHW COVID Hot Labs at Morriston	0.050	As submitted to Ian Gunney 6 Nov.

The remaining schemes highlighted as high risk in Table J are not detailed above, since they are as a consequence of the revised capital plan and changes to discretionary contributions. For these schemes, there is no risk to scheme plan, as the risk assessment includes an adjustment for discretionary.

We are experiencing some delays with financial impacts across a number of our building and engineering schemes due to the COVID-19 outbreak. 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.

13. Capital Disposals (Table K)

There are a number of planned property disposals with expected sale proceeds of £0.506m. All 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 October. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £9k at the end of October 2020 (September - £90k) with the number of invoices in this category increasing from 7 at the end of September to 11 at the end of October. Of these outstanding invoices between 11 and 17 weeks old, 6 have been paid since the end of October amounting to £2k.

There were no invoices outstanding for more than 17 weeks at the end of October 2020.

15. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables for month 7. GMS is currently forecast to underspend by £0.867m and dental expenditure 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 Chris White (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 24th November 2020.

Yours sincerely,

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DARREN GRIFFITHS
DIRECTOR OF FINANCE (INTERIM)

J C Myhill

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TRACY MYHILL
CHIEF EXECUTIVE

Emma Woollett, Chair
NHS Financial Management

Assistant Directors of Finance
Mr Jason Blewitt, Wales Audit Office