

Dyddiad/Date: 13th September 2021

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 August 2021

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 31st August 2021. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your letter of 20th August 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
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 Health Board also has a further pipeline of schemes currently assessed as red;

which are being further developed and tested. The delivery trajectories for these schemes is low, however they are key to supporting the recurrent underlying position of the Health Board.

The Health Board opening plan includes 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 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. The assessed costs are subject to change as guidance and modelling evolve over forthcoming months.

The Health Board has submitted further recovery plans to Welsh Government and is awaiting feedback and confirmation of funding.

2. **Risks (Table A2)**

The Health Board continuously reviews the keys risks and opportunities and some amendments have been made this month.

The risks and opportunities associated with the service and financial impact of COVID demand volatility have been removed from the table. This reflects the current expectation that costs will be matched with funding allocations and would not impact on the Health Board financial position positively or negatively.

The following risks and opportunities are not currently included in the forecast position and are not quantified in Table B:

Risk	Mitigation
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. The non-recurrent opportunities and slippage potential, would also support any delay in realising these efficiency opportunities.
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. However no formal agreement has been communicated.
Brexit impact on workforce availability and costs	<ul style="list-style-type: none"> • This is being monitored closely and is expected to be able to be further reduced over forthcoming months, although workforce sustainability is a key risk for the Health Board from both a service and financial perspective

Opportunities

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 three 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 Tranche 1 Recovery funding allocated. The Health Board is endeavouring to contain the overall COVID Recovery and Sustainability funding.
- 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.

- The Health Board has submitted a plan to support Paediatric RSV to WG, the costs of implementing this plan have not been included within the forecast and the Health Board current planning assumption is that any costs would be supported with funding. This is subject to a WG table top review exercise later this month and the plans assessed as part of that review.

It is assumed that the difference between the 3% wage award cost and the 1% planned wage award will be funded and this has been included in the anticipated allocations. There is a similar assumption regarding the annual leave holiday pay agreement and any additional retrospective and prospective costs associated with that agreement.

3. Monthly Positions (Table B)

The Month 5 reported position is an in-month overspend of £2.131m and a cumulative overspend of £10.183m.

Based on the initial plan deficit, an overspend of £10.168m would have been expected.

The actual expenditure for Month 5 was £2.8m lower than forecast. The key difference is in joint financing where ICF and other LA costs are becoming agreed later than planned.

At the end of Month 5 the Revenue Resource Limit is under-phased by £33m, 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 costs
- Extended Flu
- Long COVID
- Reinvestments to support efficiencies

The Month 5 position saw continuing workforce pressures with both COVID and non-COVID sickness rates increasing and high levels of operational pressure. ChC growth continues to be a pressure area, both within Mental Health and Learning Disabilities and also in General ChC where growth is now also starting to be experienced. The plan allows for growth, however mitigating opportunities have been developed to support the management of this growth.

The accrual balance for the Provider bonus payment currently sits at £1.13m for Month 5.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 5 is £2.045m, which is 3.7% of the overall pay expenditure and is £0.288m 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 – 52.44%
- Temporary Absence Cover – 10.46%

- Additional Support to delivery and performance – 19.1%
- COVID-19 – 18%

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

The financial forecast for the 2021/22 financial year has been estimated as £101.7m. This is £0.470m higher than that included in the opening plan assessment and has been assumed to be matched with WG funding. The assessments are being continually reviewed and refined to reflect changes in policy and guidance, disease prevalence, workforce availability, development of essential services and field hospital utilisation.

The key movements from the opening plan forecast are: -

- **Testing** – the forecast has been reduced to reflect expenditure trends, however we are experiencing an increase in the demand for Antigen testing, linked to the increase in the COVID R case rate in Wales and the local area. The forecast demand and management of that demand may therefore result in a further increase in forecast costs.
- **Tracing** – forecast has increased due to increasing LA costs as redeployed staff are required to return to substantive posts and additional costs incurred.
- **Vaccination** – forecast has reduced. This reflects the reduced use of facilities as vaccination centres as the models of vaccination provision change.
- **Other** – forecast has increased to reflect the risk share of the WHSSC COVID impact.

The Health Board is continuing to review the bed capacity modelling in light of a potential third wave. The current demands on services are high, however given the Health Board's bed utilisation plans the Most Likely Scenario should be able to be accommodated within physical hospital bed base and within sustainability funding assessment.

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. No further recovery resources will be committed without WG approval.

It should be noted that the forecast costs in Table B3 do not take into account the impact of the 2021/22 pay award.

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 £26.162m of savings that have been assessed as green or amber. This includes £0.492m of income generation.

In addition to the green and amber schemes, there are further red schemes that are being developed. Whilst these are unlikely to yield significant savings in 2021/22 their development and implementation will be crucial to maintain the Health Board's recurrent underlying deficit.

The Health Board Savings Programme Management Office (PMO) will be established by the end of September 2021 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. The figures have been updated to reflect 2021/22 LTA contract values. 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. 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 £9.467m at the end of July 2021 to £9.497m as at the end of August 2021, an increase of £0.03m. The increase relates to drugs stocks at Morriston and Singleton Hospitals.

There has been an increase in trade receivables from £182.844m at the end of July to £191.343m at the end of August 2021, an increase of £8.499m. The main movements are an increase in income accruals for anticipated allocations of £11.008m, offset by reductions of £1.937m in the VAT debtor with other reductions in non-NHS income accruals and outstanding debts with other whole of government accounts bodies.

The closing August 2021 cash balance was £3.176m well below the Welsh Government best practice cash target for the Health Board of £6m but slightly above the local target of £1m - £2m. The cash balance was impacted by the high opening cash balance at the end of July 2021 and it is planned to reduce the cash balance back in line with the local target during September 2021.

The trade and other payables figure saw a reduction from £225.612m at the end of July 2021 to £211.659m at the end of August 2021, a reduction of £13.953m. The reduction was across all payables areas both outstanding creditors and accruals, with an element of the reduction due to the payment of the holiday pay overtime accrued at year end.

Provisions reduced from £144.689m at the end of July 2021 to £143.838m at the end of August 2021. The reduction was due in month payments against existing provisions, with the next quarter quantum reports from Legal and Risk services due to be received in time for reporting in the month 6 financial position.

The forecast year-end balance sheet represents a best estimate of the likely year-end position at this point in time. This forecast will be reviewed in future months as the movement in working balances becomes clearer.

10. Cash Flow Forecast (Table G)

As at the end of August 2021, the Health Board had a cash balance of £3.176m well within the WG best practice figure of £6m.

Based on the latest projected receipts and payments, a cash deficit of £18.226m is forecast at year end, this forecast being predicated on the forecast year end deficit, receipt of all anticipated allocations as detailed in table E and an early assessment of the impact of any movement in working capital balances on the cash position. The analysis of the forecast cash position is shown in the table below:

	Revenue	Capital	Total
	£m	£m	£m
Forecast Deficit as per SoCNE	-24,405		-24,405
Movement in Revenue working balances	12,804		12,804
Reduction in capital creditors		-7,895	-7,895
Opening Cash balance	-4,167	5,437	1,270
Forecast Position	-15,768	-2,458	-18,226

As can be noted from the table above at the end of the 2020/21 financial year, capital cash was utilised to pay revenue invoices as although the majority of capital goods that were expected to be received before year end were received, a number of them were received on the last two working days of the financial year, meaning that the invoices could not be processed before year end. On 30th and 31st March, therefore CHAPS payments were processed for revenue invoices in order to reduce the year end cash balance to within the local target of between £1m and £2m. This capital cash will need to be repaid by revenue during the 2021/22 financial year. The amount of capital cash drawn down each month is now being reduced to below the expected capital cash payments to enable capital to be reimbursed from revenue. As a result of this during August the capital cash balance held reduced from £7.769m to £6.865m.

The cash flow is updated daily and the forecast cash position will move during the year as the receipts and payments trend becomes clearer.

11. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table for month 5.

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

The forecast outturn shows an overspend position of £1.669m. 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 with risk levels as follows:

Scheme	£m / Risk Level	Narrative
Business Case Fees	0.467 / Medium	Funding anticipated from WG.
Open Eyes Ophthalmology	0.085 / Low	Funding anticipated from WG. Awaiting clarification from CVH on some minor funding adjustments.
Environmental Modernisation - Sub Station 6 Morriston	1.117 / Low	Funding letter received from WG.

Schemes classed as medium risk are:

Scheme	£m / Risk Level	Narrative
Anti-Ligature	0.500 / Medium	Currently working through proposed work programmes and contracts. Early indications that the schemes may slip.
Singleton Cladding	0.700 / Medium	Early indication that the scheme may slip. This is mainly due to delays with the extra time involved with the assessment of each area by the expert

Scheme	£m / Risk Level	Narrative
		witness, as part of the litigation claim with the original contractor and design team.

All other schemes are low risk and any variances are linked to planned contributions from discretionary.

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 August. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £69k at the end of August 2021 (July 2021 - £49k), although the number of invoices in this category reduced from 26 at the end of July to 21 at the end of August. Of these 9 related to Cardiff & Vale UHB where invoice payments are being delayed due to issues with purchase orders being raised at Cardiff & Vale and invoices therefore being held under the No Po/No pay policy. Of the outstanding invoices between 11 and 17 weeks old, 6 have been paid since the end of August.

There were 5 invoices to Cardiff & Vale UHB outstanding for more than 17 weeks at the end of August 2021 again linked to the purchase order issues at Cardiff & Vale. Of these invoices, 3 have been paid since the end of August and 2 are promised for payment within the next week.

15. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables for Month 5. 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.

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 28th September 2021.

Yours sincerely,


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DIRECTOR OF FINANCE


Dr RICHARD EVANS
DEPUTY CHIEF EXECUTIVE
MEDICAL DIRECTOR

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

James Jones