

Dyddiad/Date: 11th September 2020

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

Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 31st AUGUST 2020

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31st August 2020. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 24th August 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 opening position included identified forecast savings delivery including income generation of £11.5m against the initial financial plan savings requirement of £23m. The remaining £11.5m 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 and further progress has been hampered by the COVID-19 pandemic, however some delivery has 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. It must be noted that due to the uncertainty of the progress of this pandemic, it is challenging to forecast the costs with a high degree of accuracy. The costs identified assume many of the service changes and actions taken remain in place for the whole of the financial year and that sufficient additional workforce is available to staff the required establishment levels; particularly for field hospitals. It must be highlighted that the field hospital provision has been reviewed and plans developed, subject to Board agreement, to consolidate the position. As assessment of the requirement for the utilisation of this capacity is being made as part of the Q3/4 operational plan and will be further refined in future monitoring return submissions.

The Health Board forecast has been revised from £93.360m in Month 4 to £96.180m in Month 5. This reflects the impact of additional TAVI demand on the Swansea Bay service £2m, improvement in forecast savings £0.331m and an increase in net COVID impact of £1.151m.

The following funding has been included in Table A as additional Welsh Government funding due to COVID-19:

Allocation	£m
Field hospitals	28.897
Workforce funding	6.831
Field hospital additional anticipated costs	4.106
ChC social care costs	2.905
Tracing	5.379
Optimising flows	1.194
Easter bank holiday working	0.213
MH service improvement fund	0.451
Total	49.976

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. Two risks have been removed from Table A2 in Month 5

- WHSSC Performance – this risk reflected the increased level of activity within the TAVI service to meet demand. This is being recognised by WHSSC, however the current position is that the financial impact of the increase above previous year's activity will be borne by the provider. This has been moved to forecast this month.

- Continuing Healthcare – following the provision of WG guidance and funding the risk associated with claims of additional costs incurred as a result of COVID-19 has been removed. The Health Board is still working through the guidance and the payment mechanisms and at this point is assuming that costs will be managed within the funding provided.

The following risks and opportunities remain:

- Major conditions funding – if the Health Board is unable to access this funding and is unable to withdraw services the risk is assessed at £0.7m.
- HCSW banding – the Health Board is in negotiation with staff side regarding the potential re-banding of this staff group. If the claim is successful it is likely to increase costs by £0.3m.
- Final pension charge costs – the Health Board has initially assessed this risk as £1m based on the costs incurred during 2019/20. It is inevitable that invoices will continue to be received for these costs however it is extremely difficult to assess the scale of the impact for the year.
- 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. Whilst in early months of this financial year the costs were lower than anticipated, month 3 saw a significant increase in uptake and costs which are being further examined.
- Additional Capacity – through the work on Essential services, potential capacity gaps are being identified due to reduced internal capacity and increasing backlog of patients awaiting treatment. This may require the use of external capacity to support service delivery.
- Field Hospital review – the planning assumptions around the utilisation of the field hospitals are being reviewed as part of the service demand and capacity modelling for Q3/4 operational plan. This may amend the cost profile for the field hospital provision further.
- 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 – through Quarter 2 the Health Board will be reinvigorating 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.

The Health Board is currently working through the Winter Protection Plan as part of the Quarter 3/4 Operational Plan and there are costs emerging through this work which as yet are not fully quantified or included in the forecast as any potential funding mechanism has not yet been confirmed. The extended Flu campaign is included within the Winter Protection Plan and at 75% uptake for existing and extended groups could be in the region of £1.5m.

The key risks and opportunities are in the assessment of the COVID-19 financial forecast, which will be influenced by a number of factors. The following risks and opportunities have been not been quantified in Table A2 at this point.

Risk	Mitigation
Change in modelled demand assumptions	<ul style="list-style-type: none"> • Detailed updated modelling undertaken to support the financial assumptions within the plan. • Government intervention through circuit breakers should increase incidence. • Capacity able to flex to within current cost base to meet modelled demand before material variable cost incurred.
Local v national Costs	<ul style="list-style-type: none"> • Planning assumptions clearly set out around PPE. • Engagement with procurement around assumptions of ownership of equipping costs.
Funding arrangements across Health and Local Authorities	<ul style="list-style-type: none"> • Routine discussions with Local Authorities around resource commitment (particularly Field Hospital fit out and Test, Trace, Track); large proportion of field hospital set up costs received in month 3 • RPB oversight of revenue through partnership agreements • Escalation through Directors of Finance of matters as they emerge for consideration across Health and Social Care areas.
Workforce availability	<ul style="list-style-type: none"> • Model developed in tandem with detailed workforce plan. • Assumes reduction in shielding and isolating for Quarter 2. • Oversight of Test, Trace, Protect on workforce.
Essential services delivery	<ul style="list-style-type: none"> • Cost base linked to operational plan to reset and reinstate surgery including the use of outsourcing and insourcing to support clinical needs as this becomes clear • Material changes identified through detailed activity modelling.
Impact of Shortages on Drug Pricing	<ul style="list-style-type: none"> • Continue to review, refine and reflect the impacts of global shortages, the impact of price concessions and the impact of Category M drugs.
Impact on Capital plan	<ul style="list-style-type: none"> • Routine engagement with Welsh Government regarding treatment of COVID-19 response and movement in existing plan. • Executive oversight of overall plan, risks and mitigations • Slippage on local and national schemes transparently disclosed to aid mutual understanding
Impact on underlying recurrent position	<ul style="list-style-type: none"> • Projected loss of savings opportunities increases underlying pressure. Savings programmes to be revisited and transformation opportunities through reset and recovery work to be explored and implemented where appropriate
Funds flows – LTA/SLA/NCA	<ul style="list-style-type: none"> • Quarter 1 and 2 All Wales agreement in place to manage financial risk of LTA under provision.

Opportunities

Review contracts in place to test whether changes in modelling can inform commitments made to block contracts for products and services.

Increased activity will reduce loss of income where income remains recoverable outside of agreed national position on LTAs, SLAs and WHSSC.

Engagement with clinical teams to assess whether innovative practice currently being demonstrated can form part of sustainable models of care

Increased levels of partnership working could identify opportunities for joint working for patient and financial benefit

Test, Trace and Protect could positively influence planning assumptions and reduce planned cost.

3. Monthly Positions (Table B)

The Month 5 cumulative reported position is an overspend of £28.711m.

Based on the initial plan, a cumulative overspend of £10.167m would have been expected.

The COVID-19 cumulative net impact to the end of August 2020 has been assessed as £55.013m. 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 £40.491m have been received up to the end of month 5. These allocations exclude the application of the funding identified for Contact Tracing of which £0.407m has been incurred year to date.

At the end of Month 5 the Revenue Resource Limit is under-phased by £1.9m, the reasons for this can broadly be described as follows:

- Field Hospital costs £15.1m
- Additional staff costs £4.0m
- ICF expenditure expected later in the year (£4.0m)
- NICE drugs expected growth (£2.1m)
- Pay reserves (£3.0m)
- Non pay reserves (£1.2m)
- Capacity (£1.2m)
- CHC expected growth (£1.4m)
- Commissioner contracts (£2.7m)
- Risk pool liability (£0.9m)
- Transformation & Innovation future costs (£1.3m)
- Primary Care costs (£1.4m)
- Trace costs £(1.8m)

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.

Secondary care drug costs were £1.4m lower than anticipated in August 2020, however this trend is not expected to continue. Joint financing and other were also £4.4m less than forecast as the Health Board has yet to receive the final construction invoices for the field hospitals, these costs have now been assumed in September 2020. The non-cash submissions have been reflected in the month 5 figures resulting in additional costs of £1.9m in month and £4.5m annual on the DEL depreciation line.

In terms of the annual assessments, Healthcare Services provided by other NHS bodies has increased by £3m to reflect the major trauma centre anticipated payments to WHSSC and ChC costs have been increased by £3m to account for the support for adult social care provider's allocation. The non-pay estimate has also been increased by £3.8m to more accurately reflect the costs in Table B3.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 5 is £1.757m, which is 3.6% of the overall pay expenditure and is £0.254m less than the same period in 2019/20.

The reduction in agency expenditure is not expected to be sustained as the demand is likely to increase in the coming months as the Health Board increases essential service capacity.

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 – 66%
- Temporary Absence Cover – 7%
- Additional Support to delivery and performance – 21%
- COVID-19 – 5%

5. COVID-19 (Table B3)

The COVID-19 impact for August 2020 has been assessed as £5.780m. This is made up as follows:

	Month 1	Month 2	Month 3	Month 4	Month 5	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
	£m	£m	£m	£m	£m	£m
Impact on Savings Delivery	1.749	1.480	1.318	1.321	1.310	7.178
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	57.012
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-6.812
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-2.341
TOTAL COVID-19 IMPACT	3.338	8.192	25.657	12.070	5.780	55.037

The Month 5 actual costs are significantly lower than the £9.130m forecast. The key differences relate to the field hospital set up costs and consequential costs not being incurred in Month 5, these are still anticipated to be incurred later in the year. In the case of the set up costs the assumed point of receipt of COVID income has also been moved to later in the year. There have been a number of material increases to forecast including staffing cost increases related to need to reopen core bed capacity, which has increased staff costs, primary care drugs and PPE where more items are being provided via Welsh Health Supplies.

The financial forecast for COVID-19 for the 2020/21 financial year has been assessed as £119.726m, with anticipated funding of £49.976m. 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 significant change.

The key movement in the COVID forecast compared to the previous month is due to the inclusion of ChC costs linked to the recent WG guidance and the costs associated with the Optimising Flow funding.

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.

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 financial plan identified £11.5m of savings scheme that were assessed as Green and Amber, with a further £11.5m of schemes that are linked to the opportunities pipeline that was developed with the support of KMPG. A number of these schemes are showing signs of delivery despite the plans not being fully developed and significant slippage is still anticipated.

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 £11.5m Green and Amber schemes and also in the development of the further schemes.

The savings delivery to Month 5 is £2.002m against a planned delivery of £9.180m. The impact of non-delivery of savings to Month 5 is therefore £7.178m.

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. Cash Flow Forecast (Table G)

As at the end of August 2020, the Health Board had a cash balance of £7.758m which was significantly above the planned month end cash balance of between £1m and £2m. The higher than forecast cash balance was due to lower than anticipated creditor payment run values, particularly during the last week of August 2020. The cash draw down for September 2020 has taken into account the higher than anticipated August 2020 cash balance and it is anticipated that the month end cash balance at the end of September 2020 will reduce closer to the planned month end target.

There remains a great deal of uncertainty with regard to the forecast cash movements, particularly in relation to working capital balances and it is therefore difficult at this stage to provide a robust forecast cash position for the year.

The current year end cash 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. The current forecast as at the end August 2020, indicates a forecast cash deficit (taking into account anticipated allocations) of £86.018m, down from £89.139m at the end of July 2020, with the Health Board drawing down its full revenue cash drawing limit by February 2021.

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.

10. Public Sector Payment Compliance (Table H)

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

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

The forecast outturn shows an overspend position of £2.336m. This 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. We are anticipating funding from Welsh Government for a number of submitted schemes, which will neutralise this position.

Following on from the quarter 2 planning guidance and agreement by Welsh Government at our July 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 main areas contributing to this overspend position have been highlighted within the table below and are classified as high risk:

Scheme	£m	Narrative
Perinatal Mother & Baby Unit at Tonna Hospital	0.102	Following Ministerial approval to proceed with the full design and tender of the interim solution at Tonna, costs have increased during the full design. Tenders have been returned, with on-site works planned for October.
COVID-19	2.349	<p>This reflects the COVID-19 return submitted to Welsh Government on 8th June 2020. This is a best estimate at this stage, as we await completion of remaining elements of our critical care surge capacity in Morriston. The estimate excludes equipment being procured through the national equipping teams, as we await an updated assessment of these costs from Shared Services. The majority of the equipping costs for the Field Hospitals have been excluded from these figures, as they have been reflected in revenue, given there will be no long term asset.</p> <p>Included in 'Table E – Resource Limits' is the anticipated allocation of £0.359m (digital letter received). Of the remaining £1.991m for the critical care surge capacity, £1.522m has been requested following clearance of the contractor submissions by SES, with the remaining £0.469m to be requested shortly as we await detailed information from the contractor on the final account.</p>
TCU / Ward 11 & 12	(0.114)	The scheme is due to complete in October with the completion of ward 20. The overall underspend is estimated at £114k and a proposal for reinvestment will be discussed at our next CRM.

The remaining schemes highlighted as high and medium risks 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.

12. 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.

13. 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 £10k at the end of August 2020 (July - £127k) with the number of invoices in this category reducing increasing from 11 at the end of July to 5 at the end of August 2020. Of these outstanding invoices between 11 and 17 weeks old, none have been paid since the end of August 2020.

There are no invoices outstanding for more than 17 weeks at the end of August 2020.

14. 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, however this is being reviewed to ensure it is fully reflective of the COVID-19 impacts on these services.

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 22nd September 2020.

Yours sincerely,


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DIRECTOR OF FINANCE (INTERIM)

Emma Woollett, Chair
NHS Financial Management


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TRACY MYHILL
CHIEF EXECUTIVE

Assistant Directors of Finance
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