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Dyddiad/Date: 11th November 2022

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 2022

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31st October 2022. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 31st October 2022.

1. Movement of Opening Financial Plan to Forecast Outturn (Table A)

As reported from Month 4, following confirmation from Welsh Government (WG) of an additional recurrent allocation of £24.4m the Health Board (HB) updated its 3-year recovery and sustainability plan, which was approved by the Board on the 27th July 2022. The updated financial plan presents a balanced financial position for 2022/23, with a summary provided below.

Financial Plan 2022-23	£m
Opening deficit	24.4
FY21 savings gap	17.7
FY22 savings gap	0.0
2022/23 opening position	42.1
WG Allocation applied against sustainability	(12.4)
Additional WG allocation applied against sustainability	(24.4)
Savings required to manage FY21 Savings Gap	(5.3)
2022/23 underlying position after sustainability application	0.0
Cost pressures - National - core	7.1
Cost pressures - inflation	9.9
Cost pressures - demand growth	7.4
Investment decisions - 2022-23	7.0
Application of core WG funding based on 2%	(9.7)
CIPs - Service Transformation 2.5%	(17.0)
CIPs - General Savings 1.5%	(4.7)
Deficit/(surplus) for year 2022-23 - base plan	(0.0)

This plan is reflected in the opening section of Table A, which is an update to the Plan included in the Month 1-3 MMR submissions.

In addition, lines 26 and below of Table A will continue to be reviewed to provide greater clarity on the elements that support the Health Board's balance forecast for 2022/23.

As per the requirements in Action Point 4.3 the aspirational delivery of the recurrent savings that the Health Board continues to strive to achieve was removed. However it should be noted that the weekly CIP report from the w/c 31st October shows plans to deliver £27.2m recurrently, with a continued focus on delivery as demonstrated in the Table below, with a further £6.7m of recurrent schemes identified in the last 4 months whilst at the same time the value of Reds reducing from £8.9m to £5.9m:

Improvement in Recurrent Delivery Since Month 3:

Recurrent Schemes	Mth 3 £M	Mth 4 £M	Mth 5 £M	Mth 6 £M	w/c 31/10/22 £M
Green & Amber	11.6	15.4	17.5	20.3	21.3
Red	8.9	6.8	6.6	6.1	5.9
Total Forecast Delivery	20.5	22.2	24.1	26.4	27.2
Increase in Delivery from Mth 3	0.0	1.7	3.6	5.9	6.7

An adjustment has been made to Table A Line Ref 32 due to timing differences between the information taken from the Trackers used to populate Table C3 and the latest CIP report published in w/c 31st October (as reflected in the table above). To support the forecasting, the most up to date weekly savings report is used, which may be out of alignment with timing of the detailed work for table C (action point 5.4). After this adjustment this leaves an underlying shortfall of £5.7m, being the difference between the £21.3m total recurrent forecast less the £27m target required. The £5.7m has also been reflected on Table A1, which is a reduction from the £6.7m reported in Month 6. As the Health Board continues to strive to deliver the recurrent target both table A and Table A1 will be updated to reflect the underlying position.

2. Underlying Position (Table A1)

In line with the updated 3-year recovery and sustainability plan Table A1 had been updated to reflect the underlying position, which due to the current shortfall in recurrent savings delivery is £5.7m (per comments above in Section 1)

3. Risks & Opportunities (Table A2)

Risks:

The key items in Table A2 at Month 7, for which there is an update since the Month 6 submission are (Action point 6.4): -

- *LTA Go Live* – updated to reflect figures reported in Mid-Year Review based on Month 5 data.
- *WAST Transition Plan Full Year Impact* – no change from Month 2 comments.
- *Cwm Taf Morgannwg (CTM) SLA Disaggregation (1)* – no change from Month 2 comments.

- *CTM SLA Disaggregation (2)* – no change from Month 3 comments.
- *Service Group Pressures* – As per comments linked to Table B there are various operational pressures contributing to this risk both Pay and Non Pay, in spite of the actions put in place by the CEO also detailed within Section 4. So at this point the risk has been retained within Table A2.
- *COVID Recovery* – only change is that of the £21.6m the Health Board has committed £13.6m at the end of Month 7. Work on the forecast for the year shows a risk that if all activity planned is delivered there is the potential for a £1.2m over commitment.
- *CHC Growth* – continues to reduce as the year proceeds.
- *SAN Replacement* – risk has been removed at replacement will be funded via capital.
- *Energy Funding Assumptions* – no change from Month 3 comments.
- *Covid Transition and Extraordinary Pressures* – no change from Month 2 comments but figures are updated to reflect Month 6 reported position and reflected in the supplementary return. Of note is that the Risk linked to the COVID Transition costs now only reflect the costs for which no funding has been received (please refer to the narrative and table included under section 9 of this report).
- *Prescribing NEW* – latest PAR report showed a significant increase in costs from previous months (£0.5m in month as per Table B). This is being driven by 3 issues (1) NCSO; (2) Cat M; and (3) 56 Day Scripts. Further work is being done by the Pharmacy Teams on this and updates will be provided in the next report.

Opportunities;

- *Demand Growth to be reduced by 25% & Slippage on planned investments* – no change from comments made in Month 3 submission.
- *Other Opportunities Slippage* – no change from the comments made in the Month 3 submission.
- *WHSSC (action point 3.4)* – No further updates at the time of writing this report.
- *Underperformance on Services Commissioned by Swansea Bay HB* – updated to reflect figures reported in Mid Year Review based on Month 5 data.

4. Monthly Positions (Table B)

At the end of Month 7 the in-month position reported an overspend of £0.512m, taking the YTD position to £3.696m overspent. Detailed below is further information on the variances driving this along with actions being taken to manage the overspend.

Variances

In summary the key issues from a variance perspective were: -

- **Income = Overachieved in Month**
 - As in previous months the R&D income is over achieved in month.
- **Pay = Overspent in Month**
 - **Variable Pay** – overall variable pay was above Month 6, with £0.2m increase. There was a reduction in Bank costs (in part linked to the arrears paid in Month 6) but a £0.4m increase in Non-Medical Agency.
 - **WTE** - There was also an increase in the number of WTE of 73 between Month 6 and Month 7.

- Pay Award – following confirmation of the pay award this has been allocated out to budgets holders for 2022/23.
- Non Pay = Overspend in Month
 - Whilst there were variances across all 89 lines that make up clinical consumables, the most significant pressures as in previous months were seen in M&SE General and Disposable, which reflect +50% of the clinical consumable variance. Over the last 3 months the Health Board has done an additional 200 inpatient procedures per month both Planned and Trauma cases, part of which would be funded by recovery and partly by core budgets, which may be contributing to the increased variance.
 - There has also been increases in areas such as establishment expenses and Premised & Fixed Plant, across multiple lines. The increased variances can be seen on the lines associated with Lease Cars, Legal fees, Stationary, Subscriptions and also on Buildings/Building Contracts and materials, partly driven by inflation.
 - As in previous months CHC continues to be a pressure for the Health Board, with a forecast for increases in both demand and price growth.
 - Savings – a key contributor for in month performance remains savings, with in month shortfall of £0.4m, although this has reduced from Month 6. So whilst the Health Board is driving forward the full delivery of the £27m plus additional £2m as detailed in this report, the profiling of savings budget has meant non-delivery remains in Month 7 as reflected in the ledger. Cumulatively this represents £3.3m of the £3.7m YTD overspend.

Within the Month 5 and Month 6 report were the full details of the actions being taken by the Health Board to support the position and the challenges. The information below only reflects updates to the actions previously reported and is not the full list: -

- Action: To mitigate the increased operational pressures all areas (excluding Morriston Service Group) will be required to deliver, a further £2m of savings on a non-recurrent basis. This additional £2m, on top of the £27m, will be transacted through the ledger and the MMR in Month 6.
Update – Updates on saving delivery reported in Section 3 and 7 of this report and show ongoing progress to achieve increased target.
- Action: As outlined by the CEO the expectation is all savings (£27m+21/22 b/f+£2m) must be identified by 9th September (and reported on 13th September 2022) before further actions will be taken by the CEO to ensure delivery.
Update: Following the meetings with CEO for those areas not delivering the target in October further meetings were held in November to review the position. Progress continues to be made and updates will be provided to the CEO via the weekly CIP report and to WG via this letter.
- Action: A further letter will be issued late Sep/Oct 2022 confirming the final elements of budget linked to the 2022/23 investment programme as part of the 3-year recovery and sustainability plan. At this point, with the exception of any in year WG funding, the Service Groups and Corporate Directorate will be clear on both their target and funding in which they will need to remain within.
Update: Work is being finalised on the investment programme in the next 2-3 weeks before funding and final letters issued.

- **Action:** Independent, specialist financial improvement support has been identified to assist Morriston Service Group with its financial challenges. This support will commence during the week commencing 12th September 2022.
Update: following a disappointing Month 7 position reported by the Morriston Service Group on Day 5, an urgent meeting between the independent specialise, the DOF and DDOF is being arranged in w/c 7th to assess progress, understand next steps and also triangular the run rate to the end of the financial year. This will also be supported by discussions with the CEO, the first of which was held on 9th November. Updates will be provided in the next MMR submission.

Actuals (linked directly Table B)

The key movements on Table B with regard to actual and forecast for the year, which will include COVID and hosted services are:

- **Month 6-7 movements**
 - Primary Care Drugs – increase in month linked to the latest PAR which showed a significant increase (please refer to risk section of report). Remaining months held at previous levels as any increase will be a risk (as reported in Table A2) and further work is being undertaken by the Pharmacy Team.
 - Secondary Care Drugs – linked to NICE drugs which are funded on an actual basis each month.
 - Pay – Month 6 included the Month 1-5 pay arrears linked to the 2022/23 pay award. There has also been an increase in agency in Month 7 as per Table B2.
 - Non Pay – this has increased in month and is primarily linked to the issued details above on M&SE and premises.
- **Y/E Forecast Movements**
 - Primary Care Contractor – this is based on the current forecast/budget for 2022/23 and continues to updated throughout the year.
 - Pay – This now reflects the final allocation of 2022/23 pay award of £28.8m.
 - Non Pay – continues to be refined to reflect overall changes in energy, inflation and clinical supplies as detailed above. Forecast in Year End has increased to reflect the increase seen in the Month actuals.
 - Losses & Special Payments – a review of the bad debt provision was undertaken in Month 7 which has impacted on this line.
 - Joint Financing - the Month 12 position has reduced as the actuals paid in Month 7 were higher than previously profiled.
 - Income – the other income has been increased to reflect anticipated increases and the profile in the latter few months. This will continue to be reviewed. But overall Income remains within in line with Mth 6.

Ring Fenced Supplementary Return (updated Action Point 5.6a)

- **COVID Recovery** – at the end of Month 7 £13.6m had been allocated to the Service Groups to support Recovery and of the £13.6m, £12.6m has been spent, with the balance of the budget to be committed in future months. The remaining funding will be allocated based on the Health Board's robust plan to support the delivery of activity and the investment required to support a sustainable infrastructure. As noted in section 3 there remains a risk that the Health Board could be over-committed against the funding by £1m+ in 2022/23.

- Urgent Emergency Care – review has been undertaken on the '6 Goals' projects and the commitments made in year, which currently exceed the £2.960m allocation. However for the purpose of this return on the committed expenditure has been held to the allocation, whilst further work is undertaken.
- RIF – information on current and forecast expenditure have been compiled jointly by the Local Authorities and the Health Board. The RPB continues to work on the commitments to the end of 2022/23.
- Value Based Health Care – no further updates from Month 5 submission, although the investment in Heart Failure has increased for the year.
- Mental Health (SIF) Allocations – updates on commitment made for 2022/23 have been reflected in the Month 6 submission.
- Planned Care - in March 2022 we were informed via an email of £15 million for the Outpatient Transformation programme in 2022/23 across Wales. Initially the assumption was that Health Board share would be £1.959m based on 13.06%. However, the letter from WG dated 28th June confirmed £0.640m. At this point we have assumed the £1.959m in Table E and only £0.640m in the Ring Fenced return. As per your comments in the reply letter we will look to seek clarification on this matter. (Action point 6.16)
- VBHC – unfortunately the discussions planned in October to discuss in detail were postponed until mid-November. So update will be provided in Month 8.

At the end of Month 7 the Revenue Resource Limit is under-phased by £13.2m, the reasons for this can broadly be described as follows but the HB will continue to undertake further work on this as the year progresses: -

- RIF (previously ICF) expenditure expected in Q4*
- NICE drugs expected growth
- Primary Care costs
- CHC expected growth and inflation

5. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 7 is £3.735m, which is 6.3% of the overall pay expenditure and is £0.421m higher than the Month 6 position as noted in Section 4 on Pay.

The key reasons for Agency expenditure in month are set out in the bullets below: -

- Vacancy Cover – 46%
- Temporary Absence Cover – 22%
- Additional Support to delivery and performance – 21%
- COVID-19 – 11%

6. COVID-19 (Table B3)

The forecast continues to be refined each month (action point 6.2) and the total for Table B3 in Month 7 has reduced to £58.2m, which includes both national programmes and those areas linked to COVID Transition. A breakdown of this is provided in section 9 of the report by the various areas.

The key change between Month 6 and Month 7 has been the reduction in the Prescribing line from £5.7m to £0.5m. This value is now based on the average daily cost of drugs for

COVID patients in secondary care beds (£19 per day) applied to the average number of COVID patients in our acute beds (75 patients per day) for 2022/23. Further work is being undertaken by the Pharmacy Team on the primary care element but this will not be ready for the completion of the tables and supporting narrative for Month 7, but will be shared once available.

With the support of the CEO the Health Board has continued with its programme of reviewing and challenging the Transition COVID costs, with the latest round of meetings held on the 3rd and 4th November 2022. Clear actions were issued by the DOF, on behalf on the CEO on 7th November. Further meetings are in the process of being scheduled for January 2023 to focus on the continued reduction in COVID run rates to March 2023.

The forecast for 2022/23 at Month 7 is provided in the table below:

RRL COVID Allocations	2022/23 Forecast @ mth 7 £'000
National Programmes: Tracing	5,600
National Programmes: Testing	2,268
National Programmes: Mass Vaccinations	7,886
National Programmes: PPE (Exc Stores Staff)	4,518
National Programmes: Long COVID	402
National Programmes: Nonsocomial	508
COVID Transition Funding Received: Extended Flu Funded to Date	918
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418
COVID Transition: Cleaning Standards	1,906
COVID Transition: Dental Income Shortfall (Balance)	287
COVID Transition: Other	32,470
Total Table B3	58,180

The anticipated allocations, above the national programmes are recognised as a risk within Table A2 as the Health Board may be required to manage this as part of its wider financial position. This should reconcile to the figure included in Section 9 on COVID. The financial planning assumptions here remain consistent and in line with the advice received in the Chief Executive of NHS Wales' letter of 14th March 2022.

Annual Leave (Actions 4.5):

The table below provides a summary of the Annual Leave accrual at the end of Month 6:

	£m
A/L Opening Balance 1 st April 2022	11.497
Sell Back Payments Month 3	0.748
Sell Back Payments Month 4	0.117
Sell Back Payments Month 5	0.002
Sell Back Payments Month 6	0.001
Sell Back Payments Month 7	0.000
A/L Closing Balance	10.629

(Action point 6.3) As reported in the Mid Year Review presentation Swansea Bay has historically held an accrual for Annual Leave. The value of this at the end of 2019/20 was £0.7m. Given the guidance that c/f leave returns to pre COVID levels it is anticipated that circa £10m will be released to support the position as reported in the Mid Year review. This will be made up of 2 elements:

- £5.1m support the prescribing costs released from COVID

- £4.7m mitigate operational pressures, of which £3m has been assumed since the end of Q1.

7. **Savings (Tables C, C1, C2, C3)**

A summary of the savings position as reported in w/c 31st October 2022 is provided in the Table below.

	Mth 1 £M	Mth 2 £M	Mth 3 £M	Mth 4 £M	Mth 5 £M	Mth 6 £M	@ w/c 31/10/22
Target 2022/23	27.0	27.0	27.0	27.0	27.0	29.0	29.0
Green & Amber	17.2	18.1	23.1	23.4	24.5	27.7	29.2
Red	4.6	4.9	3.1	3.1	3.1	2.7	3.2
Total Forecast Delivery	21.8	23.0	26.2	26.5	27.6	30.4	32.4
Total Identified	21.8	23.0	27.1	27.4	29.5	32.0	34.1

Of note is that since the Month 6 submission of MMR:

- a further £2.1m of savings has been identified and classified as planned (reported in the table above). The HB is monitoring progress on a weekly basis with this focus driving the movement of schemes from red to amber and green, as well as the identification of further schemes to support operational pressures and sustainability into 2023/24.
- Additional savings have translated into Green and Amber (action point 6.1) between Month 6 and Month 7.

As part of the MMR work we are also monitoring the target of schemes moving from Green to Amber within 3 months of being entered onto the tracker. The table below provides a summary of those breaching along with brief overview of the reason. We will continue to focus and challenge to drive this forward within the HB:

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
MHLDCIP2301	Reduced nurse variable pay from effective rostering, to included annual leave planning and action on working breaks, sickness management and review of staffing levels.	375	500	Finance Lead is not available to update on this for M7. An update will be provided at M8
MHLDCIP2313	Reduced cost from improved management of voids	20	20	Expect scheme to turn Green in Q3. We are constantly reviewing those schemes where there is under-occupancy to place new cases.

MORCIP0006	Additional Pancreatic activity through commissioned 3rd weekly list	20	40	This scheme relies on increasing pancreatic activity. We have secured the consultant time through job planning, but theatre and bed capacity remain challenging - work continues to resolve this as part of the overarching strategy to increase surgical throughput via development of elective hubs. Until we have regular sessions we are keeping this amber as a risk.
MORCIP0014	LOS - Heart Failure Team	262	466	This is a Spend to save scheme; required investment and appointments, implementation has slipped hence still amber. Patient backlog and flow to community beds has impacted delivery timescales and ability to drive out the cost reductions; we are not turning green until we can see the mitigating actions on patient flow starting to show impact. We are working with community colleagues, social care colleagues and developing changed service models around internal flow. We are also working on developing other schemes to mitigate the shortfall.
MORCIP0020	AP's instead of Band 5's	47	70	The training that would have allowed this to progress to a saving has been pulled by the University and a cohort will not run this year. The intention is to train next year and therefore this will now become a pipeline CIP. We are unable to mitigate this, as it is outside of our control.
MORCIP0021	DNA Rate review & reduction plan - text reminders	39	59	A reduction of DNA through planned actions will result in better throughput per clinic and allow us to reduce staffing levels or outsourcing. We've targeted a small reduction and believe it is deliverable. We are still reviewing data and clinic arrangements to ensure we are delivering before turning green. No barriers raised by service yet – we just haven't completed August reporting/ data review to have assurance it is delivering.
MORCIP0041	Charitable Funds Strategy	100	-	Due to leave of the staff involved in the scheme, we are not expecting the scheme to turn green before end of August. Working on where the opportunities are to reduce revenue spend and more effectively utilise charitable donations this year. We have now identified a number of specific opportunities and are working through internal governance to utilise charitable funds rather than revenue sources.
MORCIP0044	Associate Specialists into Medical Vacancies	38	75	These scheme has been delayed due to other wider service changes linked to an OCP. We are working on mitigating it in the interim (see new schemes emerging) and considering the recurrent opportunity post the service changes already in train.

MORCIP0059	Procurement Savings	267	267	We have reassessed opportunities across a variety of general procurement lines which are now being pursued, schemes will turn green when pricing/ volume/ item changes have been agreed with relevant parties. We anticipate achievements not being straight line but are confident the approach will bring significant cost reduction benefits. We have already had success with other procurement schemes as above.
MORCIP0060	Procurement Savings	33	33	As per comment above
MORCIP0061	Procurement Savings	226	226	As per comment above
MORCIP0062	Procurement Savings	116	116	As per comment above
MORCIP0063	Theatre Instrument switch	154	154	Finance Lead is not available to update; we will update in M8
PCCCIP2379	CES budget recurring realignment	114	114	Community Equipment Scheme, which is delivered with our Local Authorities in partnership under a s33 agreement. Proposal to reduce budget by £200k per year in total (our share is £114k). This has been discussed with Local Authority partners and a positive responses received. Awaiting final formal agreement before turning green.
PCCCIP2381	Supporting care home with EMI model of nursing care	261	521	We undertook a tendering exercise with Procurement colleagues but there was no interest. Feedback from the care home sector is that they are struggling with recruitment and therefore do not have the capacity to take on more complex EMI patients. It is recognised that there is a deficit in EMI capacity in the Swansea / NPT region and therefore the HB needs a strategy to meet this shortfall as the number of patients is growing. The HB has undertaken a strategic review of CHC and has this issue has been highlighted. We will look at a solution to address the shortfall in the 23-24 IMTP.
NPTSCIP2308	Outpatients	10	10	Expect scheme to turn green in Q3
NPTSCIP2358	Primary Care Over delivery	150	150	Finance Lead is not available to update; we will update in M8
	Total	2,232	2,821	

8. Welsh NHS Assumptions (Table D)

Table D reflects the Agreement of Balances position as at Month 12 2021/22 or updated where changes have been agreed with other bodies.

9. Resource Limits (Table E)

Table E provides the allocations received and those anticipated by the Health Board.

For COVID the breakdown of the funding received and anticipated is summarised in the table below and links directly to forecast included in Table B3.

The table is broken down into 3 section, the national programmes, COVID transition for which funding has been received and COVID Transition for which no funding has been received (which is also reflected as a Risk in Table A2):

RRL COVID Allocations	2022/23 Forecast @ mth 7	Total By Type
	£'000	£'000
National Programmes: Tracing	5,600	21,182
National Programmes: Testing	2,268	
National Programmes: Mass Vaccinations	7,886	
National Programmes: PPE (Exc Stores Staff)	4,518	
National Programmes: Long COVID	402	
National Programmes: Nonsocomial	508	
COVID Transition Funding Received: Extended Flu Funded to Date	918	2,336
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418	
COVID Transition: Cleaning Standards	1,906	34,663
COVID Transition: Dental Income Shortfall (Balance)	287	
COVID Transition: Other	32,470	
Total Table B3	58,180	58,180

For extraordinary pressures the three items (above current funded levels) are detailed in the table below:

Extraordinary Items	2022/23 Forecast @ Mth 7
	£'000
National Insurance Health & Social Care Levy #	4,042
Real Living Wage (Care Homes Only)	2,433
Energy Costs (inc Non British Gas items)	12,568
TOTAL ALLOCATION	19,043

- this only includes 7/12th of the original value and not the element which will be applicable linked to the new pay award

The basis of these values are as follows: -

- NI = only assumes 7 months of costs as per Month 6 submission.
- RLW = it has been identified that for MH cases the National Framework contract refresh lead by National Collaborative Commissioning Unit (NCCU) did not take into account the increased RLW, as the refresh process had been completed by the time WG issued the guidance on supporting providers to be able to pay their social care workers the RLW. Health Board is now being approached by providers on Framework for a further uplift, over and above what was agreed through the national refresh, for the costs of the RLW. As the contracts with these providers are on CCAPS with the

NCCU we have raised the issue with them, but it has been devolved back to the Health Board to address. This will require us to make additional payments outside the contracts and will be for Health Board to determine how best they address this situation. An indicative value for this has been included in the RLW anticipated income figure above but this may need to be refined as work on this issue is addressed internally.

- **Energy** = As the time of completing the return the latest British Gas figures were not available, although figures had been provided by the FDU. These figures and the supplementary information have been assessed against the previous Month's figures. At this point no change has been made to the overall forecast for the 'Total Shared Service Energy Cost'. There are two reasons for this:
 - It was noted within the updated FDU figures that the values reflected changes in volume. For SB the development of the solar farm will impact on volumes used in the modelling. The scheme was funded via an invest to save on basis of historic volumes therefore changes in volume would impact on delivery of savings and viability of the scheme;
 - Actual costs invoiced for the Month of October are lower than previous British Gas forecasts and further discussions are required to review the position post Month End.

In addition, the PFI and Primary Care Premises line has increased as we are not yet seeing the assumed reduction in the costs for the PFI, and so we have assumed that the previous higher monthly costs will continue.

The Health Board is starting to incur costs linked to Ukrainian Humanitarian Partnership Response. At the end of Month 7 the total spend is only £0.009m, whilst we have been told not to anticipate funding this is the start of the costs as the Welcome Centre established by the Local Authority following direct funding from WG will lead to additional NHS costs and so the Health Board will continue to add as a funding request.

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 from £10.660m at the end of September 2022 to £10.770m, an increase of £0.110m. The increase mainly relates to drugs stocks across all hospital sites.

There has been a decrease of £14.540m in trade receivables from £242.895m at the end of September 2022 to £228.355m at the end of October 2022, comprising a decrease of £13m for NHS Debtors, and a decrease in the bad debt provision of £0.973m.

The closing October 2022 cash balance of £1.709m is in line with Welsh Governments target and the best practice cash target for the Health Board of up to £6m at month end.

The trade and other payables figure saw a decrease from £253.657m at the end of September 2022 to £233.259m at the end of October 2022, of £20.398m. There were a number of factors resulting in this reduction in month, with reductions in the Tax and Social Security creditor which was higher than normal at the end of September due to the pay award and arrears, as well as reductions in goods received not invoiced, NHS creditors, trade creditors and directorate accruals for invoices not received.

11. Cash Flow Forecast (Table G)

As at the end of October 2022, the Health Board had a cash balance of £1.709m which is in line with the planned month end cash balance of between £1m and £2m.

The current cash forecast of a deficit of £35.924m in Table G is predicated on the forecast year end break even position, receipt of all anticipated allocations in table E and the current assessment of the impact of movement in working capital balances on the cash position. The detailed breakdown of this cash deficit is shown in the table below.

There are two main components to the forecast cash deficit. Firstly, there is the significant forecast reduction in capital creditors of £20.619m. Whilst the health board has received an initial temporary increase of £15m to the CRL in respect of this movement, conversations with WG have indicated that this cash cannot be included in the cash forecast until confirmation of the availability of this cash is made following the supplementary budget in February. This cash has therefore been removed from the cash flow forecast in March as agreed with WG, contributing £20.619m to the cash forecast deficit (the £15m identified plus the remaining capital creditors forecast reduction of £5.619m).

The second factor is the forecast reduction in revenue creditors which impacts on the movement in overall revenue working capital balances, these being forecast to deteriorate by £19.703m. An element of this deterioration relates to payments to staff who have sold back annual leave in 2022/23 and backfill costs associated with covering the additional leave that staff carried over at the end of 2021/22, the allocations in 2021/22 for this being resource only with no cash. There are also forecast reductions in all other creditor areas.

Another factor at play and impacting on revenue cash is the fact that revenue cash is owed £6.477m from capital cash as the capital cash payments made in 2021/22 exceeded the cash drawn down via the CRL. Therefore, £6.477m capital cash is also required in addition to the £20.619m capital cash requirement for movement on working capital balances. Receipt of this £6.477m together with the opening cash balance as at 1st April 2022 would therefore leave a cash requirement of £9.6m for movement in revenue working capital balances, leaving a small cash surplus of £0.772 as in the table below.

Cash Position for Month 7	Total
	£000
Opening balance as at 01/04/22	4,398
Reduction in Capital Creditors	-20,619
Forecast deterioration in revenue working balances	-19,703
Forecast Closing Cash Balance	-35,924
Cash Support Required	
Movement in working capital - capital cash	20,619
Capital cash to repay revenue	6,477
Cash required for revenue working capital balances	9,600
Total	36,696
Revised Cash Balance	772

The cash flow is updated daily and any changes to the forecast cash position at year end will be reported through these returns.

12. Public Sector Payment Compliance (Table H)

The Health Board missed the 95% PSPP target for Quarter 2 with compliance being 94.83% for non NHS and 89.2% for NHS for the Quarter.

Cumulative compliance is still above 95% at 95.3% and the issue in Quarter 2 has been delays in nurse agency invoices being paid due to the increase in the number of invoices for shifts worked.

The Health Board remains focussed on improving PSPP compliance for NHS invoices and ensuring that performance remains above 95% for Non NHS invoices.

13. Capital Resource / Expenditure Limits (Table I)

The forecast outturn shows a reduced overspend position of £1.8m. Allocations are anticipated on the schemes shown below which will provide a balanced position. This position reflects the return of £2.370m to Welsh Government on 27 October to fix our 2022/23 CRL - excluding any subsequent new scheme approvals.

The impact of the reductions to the discretionary capital funding this year continue to emerge. The pressure to retain a balanced capital position remains fragile as there is very little remaining flexibility in the programme to manage emerging service and infrastructure risks. The risk of the plan shifting from balance to imbalance is now material with little mitigating options available to the Health Board to avoid this. Additional funding bids of £8.482m for urgent backlog equipment and estates replacement were submitted to Welsh Government on 27 October.

Scheme	£m / Risk Level	Narrative
Business Case Fees	0.712 / Medium	Funding anticipated from WG.
Sapphire Suite SA1 (SARC)	0.030 / Medium	Funding anticipated from Regional Capital.
WICIS	0.027 / Medium	Funding anticipated from WG.
City Deal – Morriston Access Road Design	0.970 / Medium	Funding anticipated from City Deal.
Eye Care - Open Eyes Ophthalmology System	0.061 / Medium	Funding anticipated from WG.

No Capital schemes are highlighted as high or medium risk this month. All other schemes on the Capital Programme are categorised as low risk and any variances are linked to planned contributions from discretionary.

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 June. The value of NHS debts outstanding for between 11 and 17 weeks amounted to

£129,777 at the end of October 2022 (Sept 2022 - £536k) with the number of invoices in this category decreasing to 16 (compared to 24 in Sept 2022) to at the end of October 2022.

Of the 16 outstanding invoices between 11 and 17 weeks old, no invoices have been since the end of October 2022. Of those still outstanding:

- 3 relate to Aneurin Bevan Health Board, 2 of which are Pharmacy related.
- 5 relate to Cardiff & Vale Health Board, for staff recharge costs.
- 2 relate to Powys Local Health Board, the larger in relation to funding a staff post.
- 1 invoice to Velindre, for DMA application support costs for 2022/23.

There are 17 outstanding invoices over 17 weeks, none of which have been paid since the end of October 2022.

15. Ring Fenced Allocations (Tables N & O)

There is no requirement to update these tables until Month 9 (Quarter 3).

16. Summary

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
- EMRTS.

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 Moss (Deputy Director of Finance), respectively.

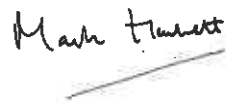
These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee for the meeting scheduled on 22nd November 2022.

Yours sincerely,



.....
SAMANTHA MOSS
DEPUTY DIRECTOR OF FINANCE

Emma Woollett, Chair
NHS Financial Management
Mr Jason Blewitt, Wales Audit Office



.....
MARK HACKETT
CHIEF EXECUTIVE

