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Dyddiad/Date: 12th September 2019

Mrs Andrea Hughes
 HSSDG – Deputy Head of NHS Financial Management
 Welsh Government
 Sarn Mynach
 Llandudno Junction
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Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 31st August 2019

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31st August 2019. This letter provides the supporting commentary to the proformas.

1. Actual Year to Date and Forecast Under/Overspend 2019/20 (Tables A & B)

(a) **Movement of Opening Financial Plan to forecast outturn (Table A)**

The Health Board developed a balanced financial plan within the Annual Operating Plan.

Costs	£m	Savings/Funding	£m
2018/19 Underlying Carry Forward Deficit	23.3	Savings	(21.3)
		Non-Recurrent Opportunities	(0.7)
		Actions to mitigate Bridgend transfer impact	(0.0)
<u>2019/20 New Costs</u>		<u>Additional Funding</u>	
Service Costs	42.3	WG Allocation Uplifts	(33.2)
		Income Benefits	(0.4)
		WG Additional Funding Support	(10.0)
Total	65.6	Total	(65.6)

The Health Board's ambition is to achieve financial balance in 2019/20.

To support this, address the current overspend and to make progress in identifying and delivering further opportunities, where possible, to mitigate and manage the risks, the Health Board has established a dedicated multi-disciplinary Delivery Support Team, which will work alongside the Welsh Government externally commissioned support when this work commences this month.

The Delivery Support Team has three aspects to its workplan:

- Savings delivery, assurance and support, including review of existing plans, proposed recovery actions and high value opportunities;

- Enhancing Grip through grip and stretch targets;
- Financial and service sustainability, including use of Efficiency Framework to identify opportunities to develop the future pipeline of plans and spread best practice.

The Health Board recognises that the breakeven forecast, at this point, carries significant risk.

(b) Monthly Positions (Table B & B1)

The Month 5 reported position is an overspend of £5.994m. This overspend reflects the challenges of unprecedented and sustained levels of operational pressure which have resulted in much of the winter surge capacity remaining open and being staffed at premium rate, growth in ChC patient numbers and income risks associated with lower elective activity levels due to unscheduled care pressures. It also reflects the challenges of delivering the required level of savings, particularly those required to manage the diseconomies of scale following the Bridgend Boundary Change and mitigate the operational pressures.

The Health Board has moved to weekly Service Delivery Unit Financial Recovery meetings to increase visibility, accountability and support for savings delivery and cost pressure management. The patterns of weekly meetings includes overall Unit financial performance, line by line savings focus, cross system opportunities and impacts, workforce focus and High Value Opportunities deep dives. On a monthly basis these report into the Financial Management Group chaired by the Chief Executive, which was established to provide a more comprehensive review of the Health Board financial performance, facilitating collective learning and good practice sharing and development clear action plans to support financial delivery.

In response to the challenging start to the financial year, the Executive Team has established a focussed Delivery Support Team, as described above as (a) to support and drive the 2019/20 financial position and support our plans to achieve sustainability.

2. Underlying Position (Table A1)

The Health Board underlying carry forward position moving into 2019/20 was assessed at £30.4m based on the former ABMU Health Board. The Swansea Bay University Health Board financial impact assessment undertaken as part of the Bridgend Boundary Change has identified £7.1m of this underlying deficit as relating to the Bridgend population and the services they access and therefore transferring CTMUHB. This £23.3m underlying deficit is recognised in the Health Board opening financial plan.

The full impact of the operational pressures, savings and recovery meetings on the underlying position moving into 2020/21 is currently being assessed and will inform the next IMTP planning process.

3. Ring Fenced Allocations (Tables N & O)

Tables N and O are not required to be completed in month 5. A balanced position is currently anticipated on all ring-fenced allocations with the exception of GMS which has an anticipated surplus of £854k, this is being reviewed to ensure it fully reflects the position.

4. Net Expenditure Profile Analysis (Table B & B1)

Resource Limit – at the end of month 5 the Revenue Resource Limit is under-phased by £0.4m.

Reserves are not profiled in a straight line across all categories within Table B, the elements of the difference relate to the following:

Primary Care Contractor	GP enhanced services (£0.5m)
Primary Care – Drugs & Appliances	NCSO pressures (£0.2m)
Provided Services - Pay	Non-consolidated lump sum (£1.2m), Winter Pressures (£1.4m), other pay pressures including agency (£1.8m)
Provided Services – Non Pay	Clinical negligence (£0.2m), other non-pay pressures (£2.0m)
Secondary Care - Drugs	NICE growth £0.4m
Continuing Care and Funded Nursing Care	CHC pressures (£0.5m)
Other Private & Voluntary Sector	Outsourcing £0.3m
Joint Financing and Other	Local Authority ICF expenditure £2.8m
Miscellaneous Income – Capital Donation/Government Grant Income	Variable receipts (£0.1m)
Miscellaneous Income - Other	LTA performance (£1.2m)
Expenditure in excess of run rate	£6.0m (£6.0m against break-even target)

The Net Expenditure Profiles for Swansea Bay are likely to be subject to change as the impacts of the Bridgend Boundary Change on income and expenditure become clearer.

To date the key pressure areas are:

- Pay – due to the increasing use of premium rate agency supporting additional surge capacity.
- Non-Pay – due in the main to unidentified savings requirement.
- Drugs – due to an increase in expenditure on HIV homecare and Hepatitis C drugs.
- ChC – pressure of full year effect of 2018/19 case number growth and continuing growth in case numbers.

5. Agency/Locum Expenditure (Table B2)

The Health Board Agency expenditure for Month 5 is £2.011m which is 4.4% of the overall pay expenditure. The agency expenditure the first five months of 2019/20 is £3.0m higher than the same period in 2018/19 (adjusted for Bridgend).

The increase primarily relates to nurse agency costs, which increased during 2018/19 and have remained high during the initial months of 2019/20. This in part reflects the operational pressures being experienced and the additional capacity in place to support the operational pressures.

The key reasons for Agency expenditure in month are:

- Vacancy Cover – 62%
- Temporary Absence Cover – 10%
- Additional Support to delivery and performance – 28%

6. Savings Plans (Table C, C1, C2 and C3)

The Health Board initial core financial plan identified a £21.3m savings requirement for 2019/20 to support the delivery of a balanced financial plan. This savings requirement did not include any actions required to mitigate and manage the impact of the Bridgend Boundary Change clinical and corporate management diseconomies of scale. The Bridgend diseconomies are now being incorporated into the overall approach to delivery through the Delivery Support Team and the Health Board more broadly.

The Health Board savings plan comprises of three elements: local savings, cost containment and management and High Value Opportunities.

The Health Board plan identified an opening level of savings of £18.151m. This includes £0.981m Income Generation and £0.3m Accountancy Gains, which do not show on Table C.

During Quarter 1 a further £3.234m additional savings, accountancy gains and income generation schemes were identified, which took the level of identified savings to £21.385m.

The Delivery Support Team has critically reviewed the initial plans and has assessed slippage on forecast delivery to be £4.303m. An element of this slippage relates to High Value Opportunities, which whilst making significant progress are securing the delivery of unit-based savings. To avoid double-counting risks the forecast for these specific savings have been reduced but they are contributing to further unit based recovery actions and savings.

In response to the deteriorating financial position, the Health Board requested further savings and recovery actions to be developed. To date a further £14m of recovery actions have been identified and have been reviewed by the Delivery Support Team and categorised as:

- Financial Recovery Category A – these are schemes with limited risk and are considered JDIs. A number of the schemes are supported by the High Value Opportunity work particularly the Workforce streams. These have been included in the Savings Tracker.
- Financial Recovery Category B – JDI schemes but requiring a Quality Impact Assessment prior to proceeding. These will be added to the Savings tracker once QIA process complete.
- Financial Recovery Category C – these are schemes with potential broader system impact. These have been aligned to six key themes and the Delivery Support Team is working with units to assess impacts and delivery confidence.

The Health Board has initially assessed the impact of these recovery actions as set out below:

Recovery Actions	Identified Savings £m	Current Delivery Confidence %	Delivery Confidence £m
FR Cat A	2.489	100	2.489
FR Cat B	1.51	75	1.13
FR Cat C	10.36	25	2.59
Total	14.359		6.209

The Category A schemes are included on Table C3. The Category B and C schemes are not yet included on Table C3, however the current assessed delivery confidence has been included in Table A.

The Delivery Support Team is working on further directed actions and controls as a result of the Health Board enhanced Spending Controls and also increasing the delivery confidence of the Category B and C schemes. It has been anticipated that this will drive up delivery confidence to provide a further £3m improvement in the financial forecast and has been included in Table A.

7. Income Assumptions 2019/20 (Tables D & E)

Table D sets out the income and expenditure assumptions with other Health Boards based on current LTA and other income and expenditure assumptions. These are subject to further refinement as the Bridgend impacts become clearer.

Table E provides the allocations anticipated by the Health Board. These include:

- The SBUHB income allocation based on the Welsh Health Circular 2018 050 - 2019-20 Health Board and Public Health Wales NHS Trust Allocations;
- the £10m additional WG non-recurrent funding support which our annual plan written feedback (January 2019) indicated was a reasonable assumption to make; and
- Six month's impact of the Agenda for Change terms and conditions funding.

Transformation Fund allocations received and anticipated are being fully utilised for the purpose they have been awarded.

8. Health Care Agreements and Major Contracts

All LTAs were signed off by the end of May.

9. Risk Management (Table F)

The Health Board has considered the key risks and opportunities and these have been amended to reflect the forecast position and the elements included in the forecast. The Health Board would wish to highlight the following:

- Non-delivery of savings plans – the slippage on existing savings plans has been included in the forecast position. Given the Delivery Support Team scrutiny it is not anticipated that any further significant slippage will occur. The Recovery Plan

Category B and C schemes have also been assessed and whilst some issues may be encountered, given the delivery confidence assessment, this would expect to increase rather than reduce. The non-delivery of savings risk has therefore been removed.

- Nurse Staffing Act – the Health Board has committed significant investment to meet the requirements of the Nurse Staffing Act for Medical and Surgical wards. The continuing rollout of the Nurse Staffing Act to other areas including Mental Health and Paediatrics may increase the requirement for investment, however this would need to be considered against current expenditure levels and also current service provision. This risk has been downgraded to reflect the latest assessment of the position and the time in the financial year.
- WG Additional Funding Support – the Health Board financial plan includes the anticipated allocation of additional WG funding support, as provided non-recurrently in 2018/19. This additional funding was included on the advice of WG colleagues, however the funding has not been formally confirmed.
- Ophthalmology Gold Command – a clinical risk has been identified in Ophthalmology linked to follow up not booked capacity constraints. The Health Board has established “Gold Command” team to review and assess clinical risk and to prioritise actions to minimise these risks. These actions may require additional financial support. This risk has been downgraded as any impact should be managed within performance plans.
- Performance Sustainability – the Health Board has identified resources to support unscheduled care, RTT and Cancer performance within its financial plan. The current operational pressures, emerging clinical pressures and HMRC issues are putting at risk the ability to achieve the planned RTT performance improvement and the risk has been increased to reflect the potential claw back of WG performance funding support. Discussions are continuing with WG to agree revised delivery trajectories and funding arrangements.
- Diseconomies of Scale – the current forecast assumes the diseconomies of scale will be mitigated by SBUHB, where possible working with Cwm Taf Morgannwg and WG. The Health Board is committed to managing these diseconomies, however given the scale of the diseconomies, it will be extremely challenging to mitigate fully in 2019/20.
- Bridgend Deficit Impact – this risk has now been removed following confirmation from Welsh Government that CTMUHB will receive a non-recurrent allocation in 2019/20 from Welsh Government in recognition of the deficit transfer.
- The enhanced control measures and further recovery action delivery is required within the breakeven forecast. There is a risk that these will not be delivered in full and 50% has been identified as a potential risk.
- To deliver the breakeven forecast the Health Board will need to identify at least a further £3m recovery actions and opportunities. This will be extremely challenging and will include the management of new funding and income streams.

- Prescribing – the Health Board has been advised of changes to Cat M, which is maintained throughout the year could increase prescribing costs by around £1m.
- Final Pension Charges – the Health Board is in receipt of a number of Final Pension Charges including one of significant value. Challenges are being lodged with NHS Pensions.
- Welsh Risk Pool – the anticipated share of the estimated overspend has been included within the risk table this month. At the present time the Health Board has no opportunities identified to mitigate this risk.

10. **Statement of Financial Position (Table G)**

Work has been completed on the disaggregation of the closing Statement of Financial Position of the ABMU Health Board, in order to identify the balances as at 1st April 2019 to transfer to Cwm Taf Morgannwg University Health Board and those to remain with Swansea Bay University Health Board following the Bridgend boundary change. The draft S1 (Fixed Assets) and S2 (current assets and liabilities) have been sheared with finance colleagues in Cwm Taf Morgannwg University Health Board and Wales Audit Office commenced their audit of the S1 and S2 documents on 10th September.

The balances included in Table G at 1st April 2019 and 31st August 2019 are the balances prior to disaggregation, representing the actual ledger figures at these dates. The forecast closing Statement of Financial Position at 31st March 2020 reflects the current best estimate of the closing Statement of Financial Position for the Swansea Bay University Health Board based on the draft S1/S2.

The key issues in respect of the statement of financial position movements are as follows:

- The inventory value reduced from 10.546m at the end of July to £10.240m at the end of August, a reduction of £0.306m. The reduction was in respect of drug stocks at both Morriston and Singleton Hospitals.
- There was a further reduction of £4.748m in trade receivables from £173.931m at the end of July to £169.183m at the end of August. The reduction was primarily in NHS income accruals as a result of payment by Cwm Taf Morgannwg Health Board of the first quarter clinical services service level agreement invoices arising as a result of the Bridgend boundary change.
- The closing August cash balance of £2.679m was above the month end cash target set by the health board of between £1m and £2m. This was primarily due to supplier payment runs in the last week of August being lower than forecast and cash receipts being slightly higher than forecast.
- The trade and other payables figure saw a further reduction from £186.661m at the end of July to £182.040m at the end of August, a reduction of £4.621m. This is the area of the Statement of Financial Position which has been most affected by the Bridgend boundary change, with the reduction in creditors during August reflecting the continuing impact of clearing the payables balances at year end relating to services which transferred to Cwm Taf Morgannwg Health Board on 1st April 2019.

Work is ongoing to identify those creditor balances and expenditure accruals which remain, with the intention that this exercise be completed by the end of September.

- Provisions reduced from £144.414m at the end of July to £143.857m at the end of August, a reduction of £0.557m. This reduction is mainly in respect of payments made against the existing clinical negligence and personal injury cases as well as ongoing payments against the retrospective CHC provision, with the provisions for claims prior to 31st March 2019 relating to Bridgend services being retained by Swansea Bay Health Board as confirmed in the Welsh Government boundary change order.

11. Cash Flow Forecast (Table H)

As reported above, at the end of August, the health board had a cash balance of £2.679m, which is above the health board target of holding between £1m and £2m of cash at month end.

Forecasting the cash position for 2019/20 is challenging given the necessity to estimate the impact on cash of the movements in working capital balances arising from the Bridgend Boundary Change. The health board has completed the disaggregation of the 2018/19 year-end balance sheet which has identified the assets and liabilities to transfer to Cwm Taf Morgannwg Health Board as at 1st April 2019. At the point that the balances to transfer are signed off by Wales Audit Office and the two health boards, there will be a cash transfer between Swansea Bay University Health Board and CTMUHB for the remaining assets/liabilities.

Over the period April to August, the Swansea Bay Health Board has continued to pay invoices relating to the period prior to 31st March 2019 for those services that have transferred so as to minimise disruption to suppliers and to the transferring services. This has resulted in little reduction in the monthly cash payments to suppliers, and therefore has meant that the health board has drawn down around 46% of its cash allocation to date, which is in excess of the anticipated draw down profile of 42% of allocation.

Based on the current best estimate of the movement in working capital balances, including the impact of the Bridgend boundary change, the forecast breakeven financial position and the £10m Welsh Government support provided in 2018/19 being made recurring (this is included in anticipated allocations in table E) the health board is forecasting a cash deficit of £18.665m as detailed in the table below.

Analysis of Cash Position	£000
Capital Cash Shortfall	
Cash required for working balances movements – Capital	9,249
Cash Required to Reimburse Revenue Cash for 2018/19 year end payments	3,593
Capital Cash Shortfall	12,842
Revenue Cash Shortfall	
Cash required for movement in revenue working balances – creditors	10,103

Cash required for movement in revenue working balances – debtors, prepayments and provisions	143
Cash due from capital for reimbursement of 2018/19 year end payments	(3,593)
Revenue Cash Shortfall	6,653
Total Cash Required	19,495
Less Opening Cash Balance	830
Forecast Cash Deficit	18,665

This cash forecast is reviewed daily taking into account the latest receipts and payments.

12. Public Sector Payment Compliance (Table I)

There is no requirement to submit Table I in Month 5.

13. Capital Schemes and Other Developments (Tables J, K & L)

A. Table J - 2019/20 Capital Resource Limit Management

Table J reflects the CRL of £24.604m issued on 24th May 2019.

A number of schemes are showing a variance compared to the allocation. Unless these are identified in the risk assessment below, this is a planned variance to reflect the recovery of fees spent in prior years. In the case of National Clinical Systems and EDCIMS the Health Board is making an agreed contribution to the scheme from discretionary capital.

Performance to Date

The reported financial performance at Month 5 is a £1.824m underspend to plan. The main areas of variance are shown below.

Scheme	Underspend to Plan M5 £'000	Comments
Neonatal and Post-Natal Capacity at Singleton Hospital	389	Underspend relates to previous delays with asbestos removal, which on its own are not anticipated to impact on the year end position and contractor plans to recover the delay however scheme will be closely monitored. See risk assessment below related to Ward 12 Fire Damage.
Linac B	228	Scheme is substantially complete, see risk assessment below. Underspend to date relates to remaining contingency.

Environmental Modernisation BJC 2 / Phase 1 Morriston	470	Scheme is 10 weeks behind programme due to delay in procuring generator to the new standards required. Completion scheduled for November 2019 so will not impact year end spend position.
Discretionary - Estates	342	Minor delays across a number of discretionary schemes and adjustments to budgets made where required to net impact of year-end forecast position.
Total	1,429	

Forecast Outturn

The forecast outturn against the current CRL shows a breakeven position. This position assumes additional funding of £1.320m is received as detailed in section B on the Table K Profiles.

B. Table K - In Year Capital Scheme Profiles

Risk Assessment

The risk assessments on schemes which are not considered to be low risk are:

Scheme	Risk Profile	Risk Value £'000	Comments
Neonatal and Post-Natal Capacity at Singleton Hospital	Medium	tbc	There is highly likely to be an impact on the scheme, as the Health Board is unable to handover ward 20 to the contractor until the remedial works on the fire damaged ward 12 are completed. A revised programme and cost plan has been requested from the contractor, which is anticipated to be available by the end of September. The in-year risk value is unknown at this stage, as is impacted by potential transfer of ward 20 costs into 20/21 and additional prelim costs in 19/20.
Linac B	Medium	227	There is currently a £227k contingency remaining on the scheme which is substantially complete and is in the commissioning phase. This was discussed with WG at the last progress meeting and it was agreed a proposal for reinvestment will be submitted for the September CRM.
Environmental Modernisation Phase 2 Morriston	Medium	25	Scheme is currently forecasting a £25k overspend. Costs to be reviewed to assess if any savings can be made and the impact of this. Overspend to be funded from discretionary.

ICF – Tonna and ICF - Refurb for IAS MAPS ND and CAMHS	Medium	73	Schemes have a combined overspend of £73k against the original allocation. This information has been reported to West Glamorgan Regional Partnership to request additional funding.
Cladding Removal Works Singleton Hospital	Medium	273	Scheme is forecasting an overspend of £95k against the original allocation plus additional fees for phase 2 have been agreed by Welsh Government and will be funded within the phase 2 allocation.
MRI Scanner at NPT	Medium	1,278	Revised programme would allow installation of the MRI in Q4 2019/20. Commencement of works is subject to the agreement of a new form of works contract which has been requested by the PFI contractor.
EDCIMS	Medium	270	Current spend profile reflects the plan for the Health Board to go live in Q4 2019-20, however the programme and hence timing of this spend are under review. Initial correction plan meeting was held with NWIS and supplier on 25 th July. Further information will be available on changes to the spend profile for the impact of the POW transfer to CTM following a commercial and finance meeting with NWIS on 13 th September. It is likely that a decision on whether go-live remains for Q4 2019-20 will be taken at a meeting of the Swansea Bay Project Board scheduled for 24 th September.
Discretionary	Medium	1,320	<p>The discretionary plan is forecasting a breakeven position but is dependent on income being received for;</p> <ul style="list-style-type: none"> - Welsh Risk Pool claim for fire on Ward 12, Singleton £540k. Initial claim being submitted to WRP. - WCCIS £479k. Funding requested through the national IT pipeline for development of the deployment order. - Coelbren Health Centre disposal £165k. Awaiting marketing of property. - Removal of cladding at Singleton Hospital £273k. Previous design fees to be funded through next phase 2 as agreed with WG Capital and Estates. - Business Case fees for cases in production £337k - ICF £73k. Funding request submitted to RPB for shortfall on schemes completing in 19/20 <p>Funding forecast above has been offset by an element of discretionary spend not fully committed in order to reduce risk value</p>

C. Table L - Capital Disposals

It is anticipated that the sale of Coelbren will complete in 2019/20.

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 £0.086m at the end of August (July £0.505m) with the number of invoices in this category increasing from 15 at the end of July to 28 at the end of August. Of the outstanding invoices between 11 and 17 weeks old, one has been paid since the end of August.

There were 2 invoices outstanding for more than 17 weeks at the end of August. The invoice relating to Cardiff & Vale Health Board is not disputed and payment has been promised within the next week, with subsequent months invoices for the same service having been paid. The invoice for Cwm Taf Morgannwg Health Board relates to a service which has transferred to Cwm Taf Health Board and as such will not require arbitration.

The financial information reported in these Monitoring Returns reflects those reported to the Health Board.

These Monitoring Returns incorporate the financials of the following hosted bodies: Delivery Unit and EMRTS.

These Monitoring Returns will be received by the Health Board's Performance and Finance Committee on 17th September 2019.

Yours sincerely,



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LYNNE HAMILTON
DIRECTOR OF FINANCE

Emma Woollett, Interim Chairman
NHS Financial Management



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TRACY MYHILL
CHIEF EXECUTIVE

Assistant Directors of Finance
Mr Jason Blewitt, Wales Audit Office