

Dyddiad/Date: 14th January 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 DECEMBER 2020

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31st December 2020. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 26th November 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)
<u>2020/21</u>	
Service Costs	(41.4)
Savings	22.8
WG Allocation Uplifts	21.6
Income Benefits	0.4
Income Generation	0.2
Forecast Plan Deficit	(24.4)

This plan is reflected in the opening section of Table A.

The Health Board commenced the financial year with an identified savings shortfall of £10m. The delivery opportunities for this remaining £10m have been identified and assessed building on the work undertaken with KPMG, however the plans were not developed enough to be considered green or amber upon submission of the plan and further progress has been hampered by the COVID-19 pandemic, however some delivery has subsequently been reported.

The Health Board plan has been significantly impacted on by the COVID-19 pandemic, in terms of significant additional costs, loss of income, reductions in other planned activities, savings delivery and slippage on planned investments.

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

The Health Board forecast was revised in Month 8 to £24.405m and the Health Board remains on track to deliver this forecast and will be endeavouring to manage any further opportunities and risks within this forecast position.

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

Allocation	YTD	M10	M11	M12	£m
Field hospitals/surge	29.803	1.789	0	2.000	33.592
Workforce funding	6.831	0	0	0	6.831
ChC social care costs	1.768	1.137	0	0	2.905
Track & Trace	3.462	1.733	1.742	1.745	8.682
Optimising flows	0.356	0.838	0	0	1.194
Easter B/H working	0.213	0	0	0	0.213
MHSIF	0.451	0	0	0	0.451
PPE	6.094	0.850	0.850	0.850	8.644
Urgent Primary Care	0	0.094	0.094	0.095	0.283
Recovery & Assess	0.087	0.403	0.403	0.404	1.297
Winter Funding	0	0.691	0.692	0.692	2.075
Independent Sector	0.400	0.133	0.133	0.134	0.800
Flu Vaccination	0.413	1.161	0.206	0.206	1.986
Voluntary Sector MH	0	0.066	0.067	0.067	0.200
Mass Vaccination	0.168	1.085	0.638	0.652	2.543
Annual Leave	0	0	0	11.615	11.615
General Allocation	33.688	5.870	4.302	4.340	48.200
Total	83.734	15.850	9.127	22.800	131.511

2. Underlying Position (Table A1)

The underlying position reported of £42m reflects an initial deficit plan of £24m plus £18m savings non-delivery. There will inevitably be ongoing financial consequences of the pandemic both directly such as TTP and Vaccination and indirectly such as loss of income, increased costs of PPE, these costs are being considered as new year costs within the 2021/22 financial plan.

3. Risks (Table A2)

The Health Board is required to manage risks and opportunities within its plan submission these are regularly reviewed to enable any impact to be managed within the Health Board financial position.

All of the risks and opportunities, with the exception of the non-delivery on amber savings schemes were removed from Table A2 in Month 8 following discussions with Welsh Government which have clarified handling of key risk assumptions. In addition, the Health Board has identified mitigating actions to manage the local risks and this has supported the revised position this month. Whilst the Health Board is still managing risks and seeking further opportunities these will be managed internally with only significant changes reported on Table A2.

4. Monthly Positions (Table B)

The Month 9 cumulative reported position is an overspend of £18.680m.

Based on the initial plan, a cumulative overspend of £18.304m would have been expected.

The COVID-19 cumulative net impact to the end of December 2020 has been assessed as £83.734m. 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 £83.734m have been received or assumed up to the end of month 9, giving a year to date breakeven position and a year-end forecast surplus of £0.162m.

The operational deficit at month 9 is £0.376m with a year-end forecast deficit of £0.162m anticipated which cancels out the COVID-19 surplus.

At the end of Month 9 the Revenue Resource Limit is under-phased by £37.7m, the reasons for this can broadly be described as follows:

- Field Hospital costs £4.6m
- Additional staff costs £1.7m
- ICF expenditure expected later in the year (£7m)
- NICE drugs expected growth (£1m)
- Pay reserves (£0.4m)
- Non pay reserves (£6.1m)
- Capacity (£3.3m)
- CHC expected growth (£2.7m)
- Commissioner contracts (£1.3m)
- Risk pool liability (£1.7m)
- Transformation & innovation future costs (£2m)
- Primary Care costs (£4.9m)
- Track & trace costs (£3m)
- Annual leave accrual (£8.7m)
- Mass Vaccination (£1.9m)

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

The overall expenditure incurred in December 2020 was £10.6m lower than forecast, with the most significant differences in the following areas:

- Primary Care Contractor £1.4m – extended flu vaccination costs now expected in January.
- Provider Services Pay £1.7m – lower than anticipated agency costs due to availability issues.
- Secondary Care Drugs £0.6m – NICE drug expenditure continues to be at a lower than expected value.
- Continuing Care and Funded Nursing Care £1.2m – Adult social care support costs now assumed in January.
- Joint Financing and Other £3.5m – Final field hospital set up costs and optimising flows funding due to Local Authorities, the expenditure is now assumed in January 2021.
- Losses, special payments and irrecoverable debts £0.8m – costs expected to arise later in the year.

There has also been some movement in the forecast annual expenditure:

- Provided Services Pay increase £3.7m – to reflect the reduction in December 2020 agency expenditure and the increase in the estimated annual leave provision of £4.5m.
- Provided Services Non Pay decrease £1m – removal of surge capacity decommissioning.

5. Pay & Agency Expenditure (Table B2)

The Health Board pay spend in Month 9 is lower than forecast. The key reasons being field hospital not being operationalised in December 2020, lower pay spends on mass vaccination and antibody testing and medical staffing. The medical staff position is being further examined as it is likely that there are delays in the reimbursement of additional payments expected in relation to rota changes during both wave 1 and wave 2.

The Health Board Agency expenditure for Month 9 is £2.652m, which is 5.2% of the overall pay expenditure and is £0.815m greater than the same period in 2019/20.

The Health Board anticipated that there would be a significant increase in the level of agency spend, whilst an increase has been seen, it is not as significant as expected. This has not materialised primarily due to a limited supply of available staff. We are however seeing increased costs for substantive staff, including overtime.

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 and only reflects the cover of

COVID related absence not the additional capacity requirements as a result of the pandemic. We are further reviewing this information to improve the analysis.

- Vacancy Cover – 50%
- Temporary Absence Cover – 12%
- Additional Support to delivery and performance – 22%
- COVID-19 – 16%

Table B2 has also been updated this month to include an additional £4.5m estimated costs in March 2020 to account for an increased annual leave accrual, the total is now assessed to be £11.6m. This has been assessed using a range of data sources to provide sample averages based on the assumption that the proportion of annual leave entitlement taken in Q4 will be similar to that experienced in the first three quarters of the year. The estimated impact by staff group is set out in the table below.

Staff Group	Estimated Outstanding Days	Estimated Total Accrual £	Less Current Accrual £	Estimated Accrual Increase £
Add Prof Scientific and Technic	3.09	208,338	6,606	201,732
Additional Clinical Services	3.90	948,356	23,788	924,568
Administrative and Clerical	7.10	2,483,935	84,443	2,399,492
Allied Health Professionals	5.33	848,989	19,017	829,971
Estates and Ancillary	4.00	441,605	17,715	423,890
Healthcare Scientists	4.70	258,469	19,854	238,615
Medical and Dental	10.00	4,095,367	524,774	3,570,593
Nursing and Midwifery Registered	5.00	3,063,958	37,604	3,026,354
Grand Total		12,349,015	733,801	11,615,213

6. COVID-19 (Table B3)

The COVID-19 impact for December 2020 has been assessed as £8.724m.

The Month 9 actual costs are significantly lower than the £16.334m forecast. The key differences relate to the field hospital set up costs, field hospital consequential costs, decommissioning costs for Llandarcy, optimising flows expenditure and additional costs of adult care homes not being incurred in Month 9, these are still anticipated to be incurred later in the year.

The financial forecast for COVID-19 for the 2020/21 financial year has been assessed as £131.349m which is an increase of £3.882m on last month, against anticipated funding of £131.511m. The key movement relates to the reassessed annual leave accrual estimate and the reclassification of internal surge capacity from revenue to capital. However, there are a number of other minor amendments in Vaccination, TTP, Field Hospital and other aspects of the forecast.

The COVID forecast now includes the costs of

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

- Field Hospital – change to planned usage as a result of modelling
- Internal Surge Capacity – costs and assumptions for use of internal surge
- Extended Flu Campaign – costs and assumptions for extended flu included in forecast
- Winter Plan Priorities – based on the 4 key priorities
- Essential Services – the impact of delivering and maintaining essential services
- Digital Service impacts
- Looked After Children
- Additional Annual Leave Accrual
- Mass Vaccination Programme

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 continue to escalate the tracing cost forecast may also increase.

The estimated costs of the extended flu vaccination programme amounting to £1.986m have been included in Table B. Costs of £0.413m have been incurred to date and the phasing of costs is 59% GMS, 39% primary care drugs and 2% pay expenditure each month.

7. Savings Schemes C, C1 & C2

The Health Board financial plan identified a £23m savings requirement for 2020/21 to support the delivery of the £24.4m deficit financial plan.

The Health Board commenced the financial year with an identified savings shortfall of £10m. The delivery opportunities for this remaining £10m has been identified and assessed building on the work undertaken with KPMG, however the plans were not developed enough to be considered green or amber upon submission of the plan.

The initial response to COVID-19 and the planning for essential services and a further potential wave has required all management capacity and focus and this has resulted in progress on savings being halted, which has impacted both on the delivery of the Green and Amber schemes and also in the development of the further schemes.

The savings delivery to Month 9 is £4.512m against a planned delivery of £15.687m. The impact of non-delivery of savings to Month 9 is therefore £11.175m. We will aim to manage the impact of any further slippage on savings within the current forecast.

8. 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.

9. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

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 £9.636m at the end of November 2020 to £10.087m at the end of December 2020, an increase of £0.451m. The increase is primarily due to increases in drugs stocks of £0.484m. There is traditionally an increase in drugs stocks in December 2020 due to Christmas but the increase is higher than in previous years, this being linked to Brexit no deal preparedness.
- There was a reduction in trade receivables from £181.596m at the end of November 2020 to £178.234m at the end of December 2020, a reduction of £3.362m. The reductions centred on the income accrual in respect of anticipated allocations from Welsh Government, a reduction in prepayments and a reduction in NHS debtors. There remain claims amounting to £13.310m with Welsh Risk Pool as claims submitted not yet reimbursed. The delay in reimbursement of these claims is due to delays at Welsh Government in reviewing the learning from these claims which prevents them being submitted for reimbursement to the Welsh Risk Pool Committee. It is hoped that at least one of these claims will be approved at the January 2021 Committee meeting.
- The closing December 2020 cash balance of £1.617m is well below the Welsh Government month end cash target of 5% of allocation.
- The trade and other payables figure saw a reduction from £171.798m at the end of November 2020 to £169.138m at the end of December 2020, a reduction of £2.660m. The reduction was across all payables headings.
- Provisions reduced from £137.034m at the end of November 2020 to £136.483m at the end of December 2020, a reduction of £0.551m. The reduction was due to payments against existing clinical negligence, personal injury, redress and retrospective CHC provisions. The 3rd quarter quantum reports received from Legal and Risk Services at the end of December 2020 show a large increase in provisions for clinical negligence claims, offset by a corresponding increase in the Welsh Risk Pool debtor and these updated figures will be included in the month 10 financial position.

The forecast year-end balance sheet represents the best estimate of the likely year-end position at this point in time and has been updated to reflect the impact of the latest clinical negligence and personal injury quantum reports from Legal and Risk Services and the forecast increase in accrual for untaken annual leave.

11. Cash Flow Forecast (Table G)

As detailed above, at the end of December 2020, the Health Board had a cash balance of £1.617m which was well below the Welsh Government month end cash target of 5% of allocation.

On 21st December 2020 as requested by Welsh Government, the Health Board wrote formally to request £12.655m of cash assistance for the 2020/21 financial year, comprising £2.378m of cash support for movement in working capital balances and £10.677m strategic cash support. This was based on the forecast cash deficit of £12.155m reported at the end of November 2020 and would result in a planned year end cash balance of £0.5m. A response to this letter is awaited from Welsh Government.

As at the end of December 2020, the forecast year-end cash deficit has reduced slightly to £11.515m as detailed in the table below. The forecast continues to be based on the forecast year end revenue deficit, receipt of anticipated allocations from Welsh Government, as detailed in table E and an estimate of movements in working capital balances on the cash position.

	£000
Forecast I&E Deficit	(24,405)
Forecast movement in revenue working balances (Payables, receivables and inventories)	13,232
Forecast movement in capital payables	(2,078)
Forecast cash impact of movement in provisions	1,250
Opening cash balance	486
Forecast cash Deficit	(11,515)

The cash flow is updated daily and from the beginning of January a full review of the forecast is undertaken weekly in order to provide early notice of any major movements in the forecast and allow time for cash management processes such as supplier payment terms to be amended to increase or reduce payments if required.

12. Public Sector Payment Compliance (Table H)

For the third quarter of 2020/21 the health board paid 92.6% of its non NHS invoices within 30 days, below the target of 95%, reducing the cumulative compliance to the end of December to 93.1% from 93.4% at the end of September. The third quarter performance was severely impacted by the October position which saw only 90% of invoices paid within 30 days. This was due to 1,359 of the 3,265 nurse agency invoices paid in month being paid after 30 days. Other health boards in Wales also have issues with processing nurse agency invoices and so the health board is part of an all Wales project to develop a new process for the payment of nurse agency invoices based on a model used in BCU Health Board which has dramatically improved their PSPP performance in this area.

In respect of NHS invoices, for the third quarter to the end of December 2020, 81.3% of invoices were paid within 30 days, down from 89.2% in quarter 2. The cumulative compliance to the end of December 2020 has therefore reduced to 87.6%. The majority of

delays in payment of NHS invoices related to invoices from Northumbria Healthcare Trust for salary sacrifice cars, arising from extensions to car leasing periods due to COVID and the need to add additional lines to purchase orders to enable the invoices to be matched and released for payment. This issue has been recognised by the all Wales P2P Group and a paper to move to 2 way match and add an extension period to orders for salary sacrifice cars is currently amongst the options being discussed. The issue of non-compliance with the 95% target for NHS invoices has been identified by a number of health bodies and an all Wales task and finish group has been set up to understand the reasons for delays in payment and to consider options to improve compliance. In the meantime, staff across the health board continue to be reminded of the need to ensure prompt authorisation of all NHS invoices and where there are disputes to ensure that these are flagged with Accounts Payable to and resolved as soon as possible.

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

The forecast outturn shows an overspend position of £0.342m. There are a number of known funding adjustments for submitted schemes, which will neutralise this position. The plan takes account of the latest estimates for COVID-19 expenditure across our surge capacity, Field Hospitals and new ways of working, including home working.

Following on from the quarter 2 planning guidance and agreement by Welsh Government at our July 2020 CRM, a revised discretionary plan was approved by the Board at its July 2020 meeting. The plan remains balanced, but has been adjusted through changes to schemes profiles and reductions in some discretionary allocations and switching between AWCP schemes to mitigate the adverse national funding position, while trying to maintain delivery and pace on a number of critical priority projects.

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

Scheme	£m / Risk Level	Narrative
Open Eyes Ophthalmology System	0.021 / High	Anticipated funding in line with Fiona Jenkins funding letter 19/10/20.
PHW COVID Hot Labs at Morriston	0.090 / High	Anticipated funding as submitted to Ian Gunney 6 Nov.
COVID Immunisation	0.131 / High	Anticipated funding as per correspondence with Ian Gunney.
Business Intelligence – National Digital	0.100 / High	Anticipated funding as per correspondence with Ian Gunney.
WEDCIMS	High	Discretionary allocation.
Re- Fit Carbon Reduction Project	High	Discretionary allocation.
Gamma Cameras	High	Discretionary allocation.
Singleton Cladding	High	Discretionary allocation.
CT Sim	High	Discretionary allocation.

Since the start of the COVID-19 pandemic, we have experienced some delays with financial impacts across a number of our building and engineering schemes. 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. The delays being experienced have increased over the last few weeks, with challenges being experienced with contractors and design teams being available on-site. We are also noticing significant increases to the lead times for delivery of equipment orders, including IT devices.

14. Capital Disposals (Table K)

There are a number of planned property disposals with expected sale proceeds of £0.341m. The plan has been updated to reflect that the disposal of Coelbren Health Centre is now not expected to conclude until next year.

All of the property disposals have received Ministerial approval to proceed.

15. Aged Welsh NHS Debtors (Table M)

Table M lists all Welsh NHS invoices outstanding for more than 11 weeks as at the end of December. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £129k at the end of December 2020 (November - £49k) with the number of invoices in this category increasing from 9 at the end of November to 17 at the end of December, of which 13 relate to Cwm Taf Morgannwg Health Board all of which were agreed for payment as part of the month 8 agreement of balances exercise. Of these outstanding invoices between 11 and 17 weeks old, none have been paid since the end of December.

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

16. Ring Fenced Allocations (Tables N & O)

Tables N and O have been completed for month 9 as required. GMS is currently forecast to broadly breakeven and dental expenditure is forecast to underspend by £2.809 however this underspend is more than offset by the reduction in dental patient income.

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

In the absence of the Chief Executive, the monthly monitoring return submission will be approved by Chris White (Deputy Chief Executive).

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

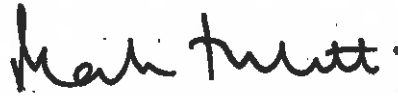
These Monitoring Returns will be included on the agenda of the Health Board's Performance and Finance Committee on 26th January 2021.

Yours sincerely,



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DARREN GRIFFITHS
DIRECTOR OF FINANCE (INTERIM)

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



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MARK HACKETT
CHIEF EXECUTIVE

