

Dyddiad/Date: 11th August 2023

Ms Claire Bowden
 Deputy Head of NHS Financial Management
 Welsh Government
 King Edward VII Ave
 Cardiff
 CF10 3NQ

Dear Claire,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 30th JUNE 2023

I enclose with this commentary the completed proformas in respect of the Health Board's Monitoring Returns to 31st July 2023.

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

The Health Board (HB) developed and submitted a draft 3-year plan at the end of March 2023 showing an anticipated deficit of £69.9m. Following a further review in May 2023 the plan was updated to reflect the following changes:

- Removal of income assumptions regarding COVID;
- Reduction in the energy assumptions by £3m;
- Reduction in cost pressure linked to disaggregation of an SLA with CTMUHB, which is delayed until 2024/25.
- Re-assessment of all risks to de-risk the plan.

The revised plan at 31st May 2023 reported a deficit of £86.6m.

	YEAR 2 2022-2025 IMTP	CURRENT ASSESSMENT
	£M	£M
Section 1: 2022/23 Impact Into 2023/24 (Underlying Issues)	22.9	32.2
Section 2: 2023/24 New Cost Pressures	43.6	96.5
Section 3: Health Board Choices	27.1	75.8
Section 4: Savings	(16.3)	(22.2)
Section 5: Allocations/Income Assumptions	(77.4)	(95.8)
Total	(0.0)	86.6

Building on the comments from the Month 3 reply letter (AP3.1 and 3.2) the following changes have been made from line ref 27 down:

- *Operational Pressures linked to Service Groups* – based on the year end forecasts provided by the Service Group, the non-savings element has been pro-rata spread over the remaining months of the year. This will continue to be reviewed as part of the Enhanced Monitoring in place.
- *On Going Development of Savings Schemes & Pipeline Ideas Increase* – the financial plan had a requirement to deliver £22.2m of savings on the basis that all b/f savings were delivered in full. However there was a £10.6m gap in the recurrent b/f savings unachieved at the 31st March 2023 bringing the total for the year to £32.8m. Based on values in Table C, taken at the end of July 2023 there remains £12.8m, against the total target of £32.8m, to be achieved in the remaining 8 months of 2023/24. It is assumed for the purposed of Table A that this will be delivered in a stepped approach for the remainder of the year, based on the actions being taken by the Health Board and detailed in section 4.4 of this letter and the previous 3 letters from 2023/24.
- *N/R Opportunities and release investments* – this will be developed over the next few months both in terms of assessing slippage from investments and also opportunities linked to balance sheet accruals. On the latter point there is work being undertaken by the Executive Team on decisions such as the agreed allowable c/f leave at the end of 2023/24, which would impact on the value that could be released from the balance sheet. Until these discussions have been concluded a final assessment on the financial opportunity cannot be made. However updates will be provided throughout the next 2-3 months.
- *WHSSC Underspend* – not yet included but under assessment.
- *Run Rate Management Programme* – part of the operational pressures will be mitigated by actions being undertaken within the Service Groups, this line attempts to reflect some of these although will be reviewed each month, and again based on the actions being taken by the Health Board and detailed in section 4.4 of this letter and the previous 3 letters from 2023/24.
- *Prescribing Pressures* – initial assessments estimated a pressure of £3.2m above plan for prescribing. The April and May data extrapolated is showing a pressure of between £4m-5m but there is some further work required and data needed to validate this. However at this point it is expected that the Service Groups will manage this within their work to mitigate run rates.

2. Underlying Position (Table A1)

The underlying b/f position reflects the £32.2m, reported both in the Month 12 MMR submission and the MDS submitted on the 31st March 2023 and relates to Section 1 of the table reported above. However as per the plan submitted on 31st May 2023 the recurrent underlying position c/f would be £86.6m, but as the recurrent savings requirement in the plan of £22.2m has yet to be met this is impacting on the position reported in Table A1 but this will be updated through the year as the recurrent element of the savings are developed.

3. Risk Management (Table A2)

The updated table presented in previous submissions is below::

Risk	Openng Plan 31/03/22	Opening Plan Post Ledger Upload#1	Opening Plan	Updates Since 01/04/23	Review Plan 31/05/23	Review Plan 30/06/23	Review Plan 31/07/23	Revised Risk
	£M	£M	£M	£M	£M	£M	£M	£M
Run Rate	27.9	-	27.9	- 2.5	- 4.0	- 7.8	- 0.1	13.5
COVID Transition #2	13.4	-	13.4	- 2.2	-	- 11.2	-	-
In Year Cost	-	-	-	-	-	-	-	-
In Year Allocation	-	-	-	-	-	-	-	-
COVID Recovery Allocation	-	-	-	-	-	-	-	-
COVID transition funding	-	-	-	-	-	-	-	-
COVID Recovery Cost	-	-	-	-	-	-	-	-
Choice	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Savings c/f	-	10.6	10.6	- 1.2	-	- 9.4	-	0.0
Savings #3	22.2	-	22.2	- 10.6	- 6.3	- 7.3	- 1.1	11.5
Total Assessment of Risk	63.5	10.6	74.1	- 16.5	- 10.3	- 21.1	- 1.2	25.0

#1 Adjustment Post Actual rollover of 22/23 Budget into 23/24

#2 Run Rate and COVID Transition merged within this line

#3 Savings non delivery against £32m (23/24 & b/f unmet from 22/23)

As noted above these risks are based on the output from the Enhanced Monitoring meetings in place and are materialising through the Health Boards challenges to meet the Financial Plan values reflected in table A. However there is further risk surrounding the ability of the two Service Groups to deliver the improvements required to move from the opening position of £63.5m to £25m detailed in the table above. Further details on the actions to mitigate risk are provided in section 4.4 below and previous letters.

4. **Monthly Positions (Table B)**

4.1 Overview Variance & Plan:

The £86.6m plan was set on a tapered profile reflecting the expectation that some of the run rate work would take two quarters to fully embed and deliver. The table below details the profiling of the plan and actual performance against the plan.

	Trajectory 2023/24 Based on Plan £M	Actual Performance £M	Variance From Plan £M
Mth 1	7.9	10.9	3.0
Mth 2	9.4	13.7	4.2
Mth 3	8.4	11.4	3.0
Mth 4	7.4	10.4	3.0
Mth 5	7.4		
Mth 6	6.8		
Mth 7	6.7		
Mth 8	6.7		
Mth 9	6.4		
Mth 10	6.4		
Mth 11	6.4		
Mth 12	6.4		
Total	86.6	46.4	13.2

The plan for Month 4 was to be £7.427m overspent. The actual variance at Month 4 was £10.404m putting the Health Board £2.977m over plan. The performance against plan remained static compared to the Month 3 position which reported a £2.998m overspend against plan.

Further details on the reasons for this are provided in section 4.2 below.

4.2 Movements In Month / YTD Variance

The key areas of variance across the Health Board are summarised in the commentary below:

- **Income**

The WHSCC Income in Month 3 was unachieved by £0.531m but improved performance relating to WHSSC activity resulted in the income improving and the variance reduced to £0.147m in Month 4, but still remains at £1.3m YTD.

As reported for the previous 3 months of 2023/24 the pressure as a result in the loss of Dental Contract Income continues, with the YTD shortfall increasing to £0.659m.

- **Pay**

The Month 4 pay was overspent by £2.5m taking the YTD overspend to £7.4m Total Variable Pay remained static and in line with Month 3 reported position, although there were movements between the categorises of Variable Pay, with the reduction in Agency costs seen in table B2 offset by increases in Bank and Overtime. There was also a small increase in the actual WTE in Month 4 of 90, which is a mix of registered nursing and additional clinical services staff. In the last 3 of the 4 months of 2023/24 staff have received pay arrears linked to the 1.5% pay award, Recovery pay award and the 5% pay award, which make monitoring trends on an actual basis difficult.

- **Clinical Consumables**

This area continues to be a significant pressure. There are 80+ subjective lines within this category including secondary care drugs but areas seeing most pressures YTD continue to be blood products, general consumables (M&SE) and laboratory products.

- **Non Delivery Savings**

The Health Board has set a 3.5% savings target for 2023/24, after two years of achieving 4%. In additional there is a further £10.6m of unmet recurrent savings b/f from 2022/23. However there remains a gap in the delivery of savings to meet the target sets which has resulted in a £0.4m variance in Month 4 and £3.9m YTD, however the in-month gap is reducing month on month.

- **Prescribing**

Whilst the in-month position has deteriorated the forecast to 31st March 2024 remains at the estimated £3.2m overspend pending further data from the 23/24 PAR reports.

4.3 Movements In-Month / Forecast Actuals (Table B1)

The keys issues of note from Table B1 against the core heading of (1) PMA = Prior Month Actuals, (2) PMF = Prior Month Forecast and (3) PMFYF = Prior Month Full Year Forecast are provided in the section below:

- Revenue Resource Limit (RRL)

- PMF = additional allocation to support 5% Pay Award made in Month 4, including arrears from April
- PMFYF = full year estimated impact of the 5% Pay Award, offset by the reduction for the WRP income to be returned to WG (AP3.8) and the change to the COVID Regional Recovery value from £21m to £15m.

- Income Welsh LHB

- PMF/PMFYF = this will reflect any ongoing changes linked to income from other Health Boards/Trusts above the LTAs provided by the Health Board.

- Income WHSSC
 - PMF/PMFYF = assumptions regarding actual WHSSC income will vary month on month depending on the actual performance being undertaken on the Morriston site linked to the various specialist services provided by the Health Board.
- WG Income Non RRL
 - PMFYF = reflects the ending of the hosting arrangements of the DSU and the loss of the associated income.
- Primary Care Drugs
 - PMF/PMFYF = linked to the ongoing pressures from the forecast above plan detailed in section 4.2 above and Section 1 on Table A.
- Provider Pay PMF / PMFYF
 - PMF/PMFYF = primarily the 5% Pay Award made in Month 4, with arrears backdated to April and increases for future months.
- Provider Non Pay
 - PMFYF – as noted against the comments from the Month 3 reply letter (AP3.4) the majority of this reduction in Month 3 is the change in the COVID Recovery regional funding reducing from the anticipated £21m to £15m.
- Healthcare Services Provided by Other
 - PMFYF = adjusted to reflect the budgets required to fund the LTA agreed at the end of June 2023.
- CHC & FNC
 - PMFYF = Whilst the overall assessment of the RLW has not changed from the funding allocated in section 9, the reflection of this through Table B has meant that the part of costs were included twice within the CHC line. This has now been adjusted in Month 4.

4.4 Actions in Plan to Manage Risks and YTD Variance

Under this section in previous MMR Letters the Health Board has provided details on the actions being driven by the Health Board to mitigate the planned deficit, the variance from plan and the risks detailed under section 3, which have been in place from the start of the financial year. Only updates or additional actions above those reported in previous months are captured below:

- **Enhanced Monitoring** – both Neath Port Talbot Singleton (NPTS) Service Group and the Morriston Service Group remain in enhanced monitoring with the weekly meetings continuing chaired by the CEO. The output of this focus is contributing to the slowing down of both the Morriston and NPTS Service Group overspend rate as whilst there variance to plan did not change between Month 3 and Month 4, the overall variance of the Health Board reduced from £11.4m to £10.4m.
- **Additional Support** – in Month 2 and 3 it was reported that the Health Board would provide additional support from Finance Business Partner perspective into Morriston and NPTS Service Group. Given the need to provide more support to the Service Areas linked to the ongoing enhanced monitoring detailed above 3 additional band 5 staff will be recruited into the Operational Finance Team.

4.5 Other Areas of Comment:

- **Energy Forecast (F)**
Since 1st June 2023 the Health Board has received 2 forecasts from British Gas only and 1 forecast combining British Gas and CCS. The forecast is increasing each time from £13.2m in early June 2023 to the latest version of £14.5m from early August

2023. There are some key issues the Health Board needs to work through before assessing the true impact on the delivery of the plan and these include:

- Level of usage built in and whether the reduced demand from the Morriston site as a result of the solar farm has been reflected correctly;
- What the actual bills have been from Q1 compared to the forecast provided;
- Both points above build on the lessons learnt from 2022/23 where the forecast provided by British Gas and the actual costs were materially different.

- **Uncommitted Reserves (G)**

The Health Board is not holding uncommitted reserves, any reserves it holds are linked to projects (e.g. Recovery Programme) or NICE and are issued on an actual basis. How these committed reserves flow into the relevant lines in Table B are being reviewed, along with the profiling over the remaining months of the Financial Year.

There will be an ongoing review of these funding streams with any slippage utilised as non-recurrent opportunities and declared in future months, to support the entry in Table A.

- **Accountancy Gains (E)**

There are some gains recorded on the savings trackers at this point in the year. However as noted in the actions in the Month 1 letter a review will be undertaken in Q2 to assess actual spend against the accruals provided for at year end and any further non-recurrent opportunities will be reported by the end of Q2 as accountancy gains to support the delivery of savings the values entered on Table A line 25.

5. **Pay & Agency Expenditure (Table B2)**

The Health Board Agency expenditure for Month 4 is £3.342m, which is 4.6% of the overall pay expenditure and is £0.374m lower than the value reported in Month 3. There has been a significant fall in Agency (Non-Medical) but as noted above this has been offset by increases in Bank and 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 been as granular as in previous submissions.

- Vacancy Cover – 59%
- Temporary Absence Cover – 15%
- Additional Support to delivery and performance – 20%
- COVID-19 – 6%

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

Total forecast spend on Table B3 for 2023/24 is currently reported as £11.9M. The breakdown of this by area of COVID is provided below:

	TOTAL
	£ '000
Health Promotion	3,500
Vaccination Programme	5,500
Long COVID	953
Nonsocial	508
PPE	1,492
TOTAL	11,953

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

At 7th August 2023 the weekly internal reporting mechanism within the Health Board reported savings identified in 2023/24 of £20.1m. The tables within the MMR were based on the data at the end of July 2023 and since the data was run, the value of savings identified and reported may have changed compared to the overall value within the Month 4 MMR. The position reported on 7th August 2023 by each areas is provided in the table below:

Service Areas	2022/23 SAVINGS TARGET B/F £M	2023/24 SAVINGS TARGET £M	TOTAL SAVINGS TARGET £M	ACTUAL IDENTIFIED IN 2023/24 £M	SHORTFALL £M
Corporate	1.47	2.66	4.12	5.03	- 0.91
NPTS Service Group	-	4.16	4.16	3.95	0.20
Morrison Service Group	6.51	7.81	14.32	3.00	11.32
MH & LD Service Group	0.87	2.57	3.44	3.31	0.14
Primary Care & Community Service Group	0.96	2.73	3.69	3.69	0.00
Medicines Management	-	2.28	2.28	2.28	0.00
HB	0.82	-	0.82	0.82	- 0.00
Total	10.63	22.20	32.83	22.08	10.75

This clearly shows that the one area of non-delivery remains Morrison, who are in Enhanced Monitoring and for which additional support has been commissioned to work with this Service Group, as reported in previous letters.

As part of the MMR work we are also monitoring the target of schemes moving from Green to Amber. The table below provides a summary of those breaching along with brief overview of the reason.

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'00	Plan FYE (R Schemes) £'000	Overview
MORR20	Additional Activity Delivery	160	-	Activity delivery is now planned and resource to deliver in place, need to ensure that this resource remains ringfenced and available through the start up phase and demand is as expected before turning green.
	Total	160	-	

8. Welsh NHS Assumptions (Table D)

Table D reflects a mix of the Agreement of Balances position as at Month 12 2022/23 and in year changes to the LTAs.

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 is summarised in section 6 above.

Real Living Wage:

For the Real Living Wage the forecast remains as per the financial plan and is made up of two elements:

	£M
2022/23 Recurrent Funding of £9.50 to £9.90	3.0
2023/24 Funding from £9.90 to £10.90	7.5
Total Anticipated Funding	10.5

The 2022/23 funding has been issued to service providers recurrently as part of the 2022/23 increase in rates. The 2023/24 funding will be issued as the New Year rates are agreed with suppliers.

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

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

- There has been no change to the inventory value (£11.112m) since the end of June 2023.
- There has been no change to trade receivables from £202.126m at the end of June 2023.
- The closing June 2023 cash balance of £3.672m is well within the best practice cash target for the Health Board of £6m.
- The trade and other payables figure saw a reduction from £189.654m at the end of June 2023 to £181.459m at the end of July 2023, a reduction of £8.195m. This comprised a reduction in capital and revenue payables. The reduction in revenue payables mainly relates to reductions in goods received not invoiced, accruals, and other creditors.
- There has been no change to provisions from £177.926m at the end of June 2023.

11. **Cash Flow Forecast (Table G)**

As at the end of July 2023, the Health Board had a cash balance of £3.672m which is slightly over the planned month end cash balance of between £1m and £2m, but well within the best practice cash target for the Health Board of £6m.

Whilst it is still early in the financial year to provide a robust forecast cash position for the year, the cash forecast in Table G is predicated on the forecast I&E year end deficit as per the plan and a very early assessment of the impact of any movement in working capital balances on the cash position. This early forecast indicates an initial forecast cash deficit (taking into account anticipated allocations) of £101.21m is detailed in the table below:

	£'000
Forecast I&E Deficit	- 86,595
Reimbursement to Capital from Revenue	6,944
Movement in Working Capital Balances	- 24,418
Opening Cash Balance	2,859
Forecast Cash Deficit	- 101,210

The difference between the £101.21m forecast cash deficit and the Forecast I&E deficit, reflects the £6.477m of capital cash to reimburse revenue CRL, and the movement in the working capital balances.

The cash flow is updated daily and a full review of the cash forecast has been undertaken at the end of July 2023, based on the first quarter receipts and payments. 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 achieved the 95% PSPP target for quarter 1 with compliance being 95.8% for the quarter.

NHS payment compliance was, however, below 95% with the quarterly performance being 90.1%. The health board remains focussed on improving PSPP compliance for NHS invoices and ensuring that performance remains above 95% for Non NHS invoices.

Further updates will be reported at the end of Quarter 2.

13. **Capital Resource / Expenditure Limits (Table I & J)**

NOTE: As per notification provided on 7th August there has been no change made to the Capital Tables or associated narrative (section 13 and 14) for Month 4 submission. This has resulted in an error showing on the Capital MMR Table J.

The forecast outturn shows an overspend position of £3.257m. Allocations are anticipated on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
Business Case Fees	1.856 / Medium	Funding anticipated from WG.
City Deal – Morriston Access Route Design	0.974 / Medium	Funding anticipated from Swansea Bay City Deal/Swansea University.
Re:Fit Phase 4 – Solar Farm Extension	0.285 / Medium	Funding anticipated from WG Energy Services.
HCF Minor Projects	0.141 / Low	Funding approved by West Glamorgan Partnership Board. CRL transfer required.

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

14. Capital Disposals (Table K)

There is a planned property disposal of Garngoch with expected sale proceeds of £0.200m.

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 June. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £57.60 at the end of July 2023 (June 2023 - £67k) with the number of invoices in this category decreasing from 7 at the end of June 2023 to 1 at the end of July 2023.

Of the outstanding invoices between 11 and 17 weeks old, none has been paid since the end of July 2023.

16. Ring Fenced Allocations (Tables N & O & P)

Tables N & O there is no requirement to complete these tables for Month 4.

Table P this has been completed and updated for AP 3.14. Whilst there are uncommitted values against Recovery (£120m), RIF, UEC, MHSIF and VBHC in Table P it is anticipated on all ring-fenced allocations will be committed by 31st March 2024.

The financial information reported in these Monitoring Returns reflect those reported to the Health Board. These Monitoring Returns incorporate the financials of the following hosted bodies: -

- EMRTS.

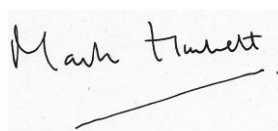
Until the 31st August 2023 in the absence of the Chief Executive or the Director of Finance, the monthly monitoring return submission will be approved by Dr Richard Evans (Deputy Chief Executive) and Samantha Moss (Deputy Director of Finance), respectively.

These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee on 29th August 2023.

Yours sincerely,



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DARREN GRIFFITHS
DIRECTOR OF FINANCE



.....
MARK HACKETT
CHIEF EXECUTIVE

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