

Dyddiad/Date: 13th December 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 30th November 2021

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 30th November 2021. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your letter of 29th November 2021.

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

The Health Board has developed and submitted a draft annual plan within which the financial plan results in an anticipated deficit of £42.077m before the inclusion of COVID income and expenditure. The COVID expenditure is assumed to be matched by income. In addition, the Health Board has been advised to anticipate non-recurrent income to support the 2020/21 savings impact. This reduces the 2021/22 forecast to £24.405m.

	2021-22 Plan Update £m
20/21 Core Underlying Position	24.405
20/21 Savings COVID Impact	17.672
20/21 Underlying Position	42.077
Cost pressures	25.600
WG Allocation	-15.100
Investment Commitments	8.500
Planned Savings	-27.700
Investments to enable Savings	8.700
Forecast Position pre-COVID	42.077
Less 20/21 Savings Impact	-17.672
Forecast Position post-COVID	24.405

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

The Health Board opening position includes identified forecast savings delivery including income generation and accountancy gains of £26.1m against the initial financial plan savings requirement of £27.7m. The identified schemes have increased to £27.6m, however some slippage has been

experienced in the delivery against these planned schemes, with a forecast delivery of £26.7m in year. The Health Board intends to balance off the slippage in savings through the release of investment slippage.

The key focus for the Health Board will be securing the full recurrent savings required to support the recurrent reported underlying position in 2021/22.

The Health Board opening plan includes estimated costs of £101m in relation to the ongoing impacts of the pandemic on service delivery and the initial phase of service reset and recovery. This included direct COVID impacts such as TTP and Vaccination as well broader service implications. These estimated costs have increased by £12.852m from the initial plan which reflects the inclusion of further recovery funding, urgent and emergency care funding and the pay award impact on COVID costs.

The Health Board recognises that funding will be allocated for COVID programmes such as TTP, Vaccination and PPE based on Month 8 forecasts. The level of certainty on some of the programmes is challenging particularly in light of the Omicron variant and the acceleration of the vaccination programme. However, the Health Board is not anticipating any further funding allocations above the Month 8 forecast and costs will be managed within this overall funding quantum.

2. Risks (Table A2)

The Health Board continuously reviews the keys risks and opportunities. The items previously included in the risks and opportunities table have been negated as they are expected to be managed within the overall Health Board forecast.

Due to the ongoing requirements around mass vaccination, our Field Hospital Establishment Group (FHEG) recently agreed to an extension to the lease of the Bay Studios Field Hospital from August 2021 to July 2022. As discussed with Ian Gunney at our recent CRM, we are working to ensure we reflect the appropriate accounting treatment for the extension of the lease and the considerations currently underway for the financial exit from the lease, as and when this becomes necessary.

3. Monthly Positions (Table B)

The Month 8 reported position is an in-month overspend of £1.805m and a cumulative overspend of £15.685m. Based on the initial plan deficit, an overspend of £16.270m would have been expected.

At the end of Month 8 the Revenue Resource Limit is under-phased by £42m, the reasons for this can broadly be described as follows:

- ICF expenditure expected later in the year
- NICE drugs expected growth
- Primary Care costs
- CHC expected growth and inflation
- Commissioner contracts
- COVID costs, particularly recovery and urgent and emergency care
- Reinvestments to support efficiencies

The Month 8 position saw continuing workforce pressures with both COVID and non-COVID sickness rates remaining high along with extremely high levels of operational pressure. ChC growth continues to be a pressure area, both within Mental Health and Learning Disabilities and also in General ChC where growth is now also starting to be experienced. The plan allows for growth, however mitigating opportunities have been developed to support the management of this growth. The increase in ChC costs in January relates to the expected FNC and CHC inflation costs.

The overall expenditure incurred in November 2021 was £3m lower than forecast, with the most significant differences in the following areas:

- **Provider Pay** – due to workforce constraints and challenges in recruiting further workforce to support winter and surge and support plans
- **Other Private and Voluntary Sector** – due to delays in accessing capacity for recovery.
- **Joint Financing and Other** – ICF and other LA costs being agreed and issued later than planned.

The movement in forecast expenditure reflects the application of additional funding allocations. There are some movements between expenditure heads as planned expenditure becomes more certain.

The Provider bonus payment of £1.13m was recovered in Month 7. This has been included in the Month 8 submission (In Month 8), under Table B3, line 183 and Table E.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 8 is £3.047m, which is 5.6% of the overall pay expenditure and is £1.236m higher than the same period in 2020/21.

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.

- **Vacancy Cover** – 48%
- **Temporary Absence Cover** – 12.2%
- **Additional Support to delivery and performance** – 22.3%
- **COVID-19** – 17.5%

5. COVID-19 (Table B3)

The financial forecast for the 2021/22 financial year has been estimated as £114.073m. This is £12.852m higher than that included in the opening plan assessment and has been assumed to be matched with WG funding. The assessments are being continually reviewed and refined to reflect changes in policy and guidance, disease prevalence, workforce availability, development of essential services and field hospital utilisation.

The key movements from the previous month are: -

- **Testing, Tracing and Vaccination** – these now reflect revised forecasts.
- **PPE** – amended to reflect most recent usage.
- **Recovery** – reflects the confirmed additional allocations and associated costs.
- **Other** – The RPB winter funding has now been included in this section. The Urgent and Emergency care allocations reflect the full year effects. Please note for Same Day Emergency Care the Health Board is only requesting £1.1m of the maximum £1.5m funding.

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

The Health Board has a gross savings requirement of £27.7m, which reflects the need to reinvest circa £8.7m in order to deliver a significant level of efficiency opportunities (£17.7m).

To date the Health Board plan has identified £27.619m of savings that have been assessed as green or amber. This includes £0.588m of income generation.

In addition to the green and amber schemes, there remain a couple of red schemes related to bed utilisation that are remain outstanding. These are unlikely to yield significant savings in 2021/22 and are likely to now form part of the Health Board's future year plan.

Whilst the green and amber schemes have increased from the opening plan, slippage has been seen on a number of schemes, particularly those related to bed utilisation efficiency, which has reduced the forecast delivery to £26.738m.

There are 17 validation errors on Table C3, due to amber schemes which have passed the Go Green date. These schemes equate to £0.915m of the £27.715m planned savings. A number of these schemes relate to bed utilisation efficiencies which due to the pandemic pressures and an extremely constrained workforce market have been delayed. These schemes have no forecast delivery for this financial year, but continue to be part of the planned recurrent delivery profile. The remaining schemes continue to be pursued, however if slippage is encountered the £0.37m is expected to be contained within the Health Board forecast position.

The Health Board Savings Programme Management Office (PMO) has been established to support, assure and accelerate the delivery of planned savings. The PMO will also to identify further opportunities to bridge the current savings gap and to meet future savings and sustainability requirements.

7. Welsh NHS Assumptions (Table D)

Table D sets out the income and expenditure assumptions with other Health Boards. The figures have been updated to reflect 2021/22 LTA contract values. All LTA and SLA documentation has been agreed and signed.

8. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

9. 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 £9.717m at the end of October 2021 to £9.854m at the end of November 2021, an increase of £0.137m. The increase relates to drugs stocks across all hospital sites.

There has been an increase in trade receivables from £198.874m at the end of October 2021 to £203.691m as at the end of November 2021, an increase of £4.817m. The in-month increase relates to income accruals for anticipated allocations from Welsh Government.

The closing November 2021 cash balance was £6.153m slightly above the Welsh Government best practice cash target for the Health Board of £6m. The higher than forecast cash balance was due to capital payments being £2m lower than forecast and higher than forecast income from other NHS bodies (£1.2m) and from Welsh Government (invoices paid of £0.7m).

The trade and other payables figure saw an increase from £217.140m at the end of October 2021 to £218.317m at the end of November 2021, an increase of £1.177m. The increase was across all trade payables areas mainly as a result of invoices not yet paid on the accounts payable system, with accruals for invoices not yet received reducing slightly in month.

Provisions reduced from £140.326m at the end of October 2021 to £138.902m at the end of November 2021, a reduction of £1.424m. The reduction was due to payments against existing clinical negligence provisions.

The forecast year-end balance sheet represents the current best estimate of the likely year-end position at this point in time. This forecast will be reviewed monthly going forward as the movement in working balances becomes clearer.

10. Cash Flow Forecast (Table G)

As at the end of November 2021, the Health Board had a cash balance of £6.153m which is slightly above the WG best practice figure of £6m.

Based on the latest projected receipts and payments, a cash deficit of £18.515m is forecast at year end. A key component of this cash deficit relates to the bonus payment with the amount paid out in cash in 2021/22 amounting to £13.268m with this cash being required in 2001/22 following receipt of a resource only allocation in 2020/21.

The Health Board has undertaken a detailed review of its forecast receipts and payments and likely movement in working capital balances to ensure that any request for cash support from Welsh Government provides sufficient cash to ensure that there is no adverse impact on payments to suppliers and other creditors.

The table below provides the detailed analysis of the forecast cash deficit, split against its component parts. From this it can be seen that in addition to the cash required for the COVID bonus payment, cash of £1.027m is required for the reduction in capital payables, this sum taking into account the capital cash drawn down in 2020/21 which was used to pay for revenue items due to capital invoices not being received prior to the end of the financial year.

A sum of £4.220m is also required as strategic cash support. This sum derives from a small forecast increase in revenue payables at year-end, a cash benefit from trade receivables mainly linked to reimbursements from Welsh Risk Pool in respect of clinical negligence and redress claims where the cash was paid out in 2020/21, including the amounts agreed for reimbursement in March 2021 where the health board requested that the cash was not paid over until April 2021 and a cash benefit from the movement in provisions.

The detailed breakdown of the cash position is shown in the table below:

	Revenue £m	Capital £m	Total £m
Forecast Deficit as per SOCNE	-24,405		-24,405
Reduction in revenue payables – bonus payment	-13,268		-13,268
Increase in revenue payables – other	3,359		3,359
Reduction in capital payables		-6,464	-6,464
Reduction in revenue receivables	9,057		9,057
Movement in provisions – cash related	11,936		11,936
Opening Cash balance	-4,167	5,437	1,270
Forecast Position	-17,488	-1,027	-18,515

It must be stressed that the amounts which will be requested for working capital cash movements and strategic cash support as in the table above are predicated on receipt of all anticipated cash allocations detailed in Table E.

11. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table for month 8.

12. Capital Resource/Expenditure Limit Management (Table I)

The forecast outturn shows an overspend position of £4.715m. Allocations are anticipated from WG on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
Business Case Fees	0.224 / Medium	Funding anticipated from WG.
Open Eyes Ophthalmology	0.021 / Low	Funding anticipated from WG.
National Imaging CT Scanners	2.038 / Low	Funding agreed with WG, awaiting allocation uplift.
Linacc D Replacement	2.099 / Low	Funding letter received from WG.
PET CT	0.069 / Low	Resource schedule agreed with WG.
EFAB	0.263 / Low	Funding letter received from WG.

The following allocations are all classed as high risk. The in-year underspends on the AWCP schemes are being offset with increased spend on discretionary schemes:

Scheme	£m / Risk Level	Narrative
Covid-19 Recovery Plans 2021-22	1.548 / High	<p>The COVID recovery funding £8.340m covers three schemes.</p> <ul style="list-style-type: none"> • Ophthalmology Modular Theatre, Singleton Hospital. Proceeding to plan. • Fracture and Orthopaedic Unit, Morriston Hospital. Following the recent conclusion of our Changing for the Future consultation, current advice is that we may not be able to start work on the reinstatement of the Fracture and Orthopaedic Unit at Morriston until March 2022. • Orthopaedic Modular Theatres, Neath Port Talbot Hospital. The scheme design is progressing, but the design complexities and complex contractual arrangements with the PFI mean enabling works are unlikely to commence this year as planned.
Discretionary - Estates	0.172 / High	<ul style="list-style-type: none"> • Enfys Reconfiguration, Morriston. The establishment of an Ambulatory Emergency Care and an Acute Medical Assessment Unit, are critical elements of the Health Board's Urgent Emergency Care (UEC) plan. There has been a delay in the works starting due to the unavailability of the area due to COVID service pressures. Works have recently commenced. There are still risks associated with material lead times and COVID service pressures.

Scheme	£m / Risk Level	Narrative
Invest to Save - Theatre Stock Omnicell	0.338 / High	<ul style="list-style-type: none"> The scheme is planned to be substantially complete this year, with a small number of works due for completion in the early part of 22-23. It's also likely that the scheme will complete with an overall underspend of between £250k and £300k. As the scheme was jointly funded by WG Invest to Save and our discretionary capital, we will enter discussions with the Invest to Save team about repayment in 22-23.
Anti-Ligature	0.584 / High	<ul style="list-style-type: none"> Increasing material lead times and delays with the PFI partners funders, have reduced the spend profile this year.

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

13. Capital Disposals (Table K)

There are a number of planned property disposals with expected sale proceeds of £0.552m. The reported forecast outturn position assumes that the £0.552m disposal income will be received. All of the property disposals have received Ministerial approval to proceed.

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 November. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £39k at the end of November (October - £659k), following settlement of the outstanding invoices to Welsh Government totalling £630k. The number of invoices in this category reduced from 15 at the end of October to 8 at the end of November. Of the outstanding invoices between 11 and 17 weeks old, none have been paid since the end of November.

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

15. Ring Fenced Allocations (Tables N & O)

Table N & O are completed quarterly. As per the M6/Quarter 2 submission, GMS and Dental expenditure are currently forecast underspend by £0.355m and £0.214m respectively.

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

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 Lewis (Deputy Director of Finance), respectively.

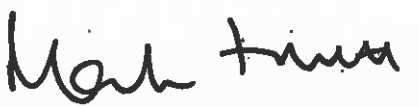
These Monitoring Returns incorporate the financials of the following hosted bodies: Delivery Unit and EMRTS.

These Monitoring Returns will be circulated to the membership of the received by the Health Board's Performance and Finance Committee on 21st December 2021.

Yours sincerely,



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DARREN GRIFFITHS
DIRECTOR OF FINANCE



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MARK HACKETT
CHIEF EXECUTIVE

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