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Swansea Bay University Health Board

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Dyddiad/Date: 13th January 2023

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 2022

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31st December 2022. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 22nd December 2022.

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

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

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

We note from the reply letter (action point 7.3) the need to link the underlying position in the 2023-2026 IMTP to table A and A1, and we will be working towards this over the next 2 months as the IMTP is finalised for approval at the end of March 2023. As per the Month 8 submission the underlying deficit now links directly to Table C3 (Action Point 7.3/8.6)

The Health Board will continue to focus on delivering the recurrent value before the end of the financial year, which we discussed at Board Briefing on 9th January 2023 linked to the development on the 2023-2026 IMTP.

Improvement in Recurrent Delivery Since Month 3:

Recurrent Schemes	Mth 3 £M	Mth 4 £M	Mth 5 £M	Mth 6 £M	Mth 7 £M	Mth 8 £M	w/c 03/01/23
Green & Amber	11.6	15.4	17.5	20.3	21.3	21.3	21.3
Red	8.9	6.8	6.6	6.1	5.9	2.2	2.2
Total Forecast Delivery	20.5	22.2	24.1	26.4	27.2	23.5	23.5
Increase in Delivery from Mth 3	0.0	1.7	3.6	5.9	6.7	3.0	3.0

As part of the Mid-Year review the Health Board outlined opportunities primarily from the balance sheet along with investment slippage to support the delivery of the financial position, which we are reviewing to ensure we release the correct value. These relate to accountancy gains linked to 2021/22 accruals and are planned to be released in Month 10 and 11, and reported through the savings tables and then the relevant headings within table B at that point. Details will be provided each month as the accountancy gains are released (action point 8.3). However as reported in Month 8 submission there are further pressures above those reflected in the Mid-Year review driven by operational demands and pressures, which are summarised in the table below, along with the actions needed to remain within financial balance. (Action Point 7.3/8.4/8.5)

	A. Plan Based on Targets Set September 2022 £M	B. Modelling Operational Positon based Mth 7-9 Outturn £M
Original Target (inc savings delivery)	9.00	9.00
Operational Pressures (post mth 9)	-	10.65
Operational Pressure Growth Morriston Service Group	-	4.50
Transfer Prescribing from COVID	5.60	5.60
Prescribing Increases (NCSO)	-	2.40
Total Pressures	**14.60**	**32.15**
Release B/S Annual Leave Accrual for Prescrbing #1	- 5.60	- 5.60
Release B/S Annual Leave Accrual Pressures from Mth 2 onwards #1	- 3.00	- 3.00
Release B/S Annual Leave Accrual Est. Balance #1	- 1.30	- 1.30
Release B/S Other Potential 2022/23 Accruals #2	- 2.70	- 12.15
Release Opprtuntities linked Budgets and Investments	-	- 2.40
Additional Savings Target #3	- 2.00	- 2.00
Opportuntities Identified to Date	- 14.60	- 26.45
Potential Outcome Financial Position - No Additional Action	-	5.70

#1 - transacted and detailed in Table C3 and Table A
#2 - being finalised before transacted in Mth 10-11
#3 - reflected in the ledger and tracked

2. Underlying Position (Table A1)

For Month 9 this table now shows an underlying issue £7.968m, (as opposed to the value reported in the table above taken from the last Savings PMO reports), which links directly from table A and is a result of non-delivery of recurrent savings reflected in table C3. Any recurrent issues linked to the operational pressures will be assessed as part of the ongoing IMTP Financial Planning work currently underway (Action Point 8.6).

3. Risks & Opportunities (Table A2)

The risks and opportunities remain largely as per Month 8 submission to reflect the challenges to the 31st March 2023 and align to the comments within Section 1 and 4 on the financial position and current variance.

Risks:

As reported in Month 8, to deliver the breakeven position based on the current operations pressures, specifically linked to the Morriston Service Group and from Month 9 the NPTS Service Group, there are a number of actions that will need to be achieved by the 31st March 2023. Therefore, the risks now reflected in table A2 are those key to the delivery of the financial position as detailed in section 1 and 4 of this report and relate to Action Point 8.4/8.7.

- CKS Challenge Joint Package Funding – the Health Board commissioned an independent assessment of Mental Health Joint packages of Care, which identified in Phase 1 £2.5m in 2022/23 the Health Board should not be contributing to, but that should be met by Social Care. Discussions are ongoing with the Local Authorities to ensure that 6 months of these costs are invoiced before the end of the financial year, creating a benefit of £1.250m.
- Financial Improvement Programme Morriston – as in previous returns the work on the operational pressures arising in Morriston have been outlined along with the 'Financial Improvement support' commissioned to deliver improvements in financial performance. £5m had been identified as an opportunity which will reduce run rates in the final 4 months, assuming that the current forecast does not deteriorate further. In Month 9 there was a significant improvement in the Morriston Service Group position, however this was offset by the deterioration in the NPTS Service Group position, driven by operational and demand pressures linked to beds and staffing pressures on Singleton and NPT site. However, the £5m reduction required has been changed to £4.5m some improvement in Month 9. However, the ongoing operational pressures, the need to increase the number of surge beds, the cost of staffing these beds safely and the potential costs linked to offering staff double time (which is ongoing and has not yet been reflected in the pay position) could have a significant impact on the Health Boards ability to deliver the remaining £4.5m of opportunities and achieve breakeven.
- COVID Recovery – the projections at Month 9 show that the financial impact of the recovery programme will be £1.4m above the £21.6m. The key message is that the programme must remain within the funding envelope as there is no further funding to support this. £1.5m of the £21.6m relates to the commencement of recruitment to posts linked to the Orthopaedic Theatres development in Neath Port Talbot Hospital (NPTH), which will become fully operational in Q1 2023/24. It is unlikely that the

£1.5m will be required in full and so will reduce some of the forecast spend but not all. At present the £1.4m remains a risk to the organisation.

- Prescribing – the August PAR showed a stepped increase in costs. The modelling based on the October PAR alongside the insight of the Pharmacy team indicates that this increase will continue for the remainder of the year and could result in an estimated £2.4m overspend for 2022/23 against budget/IMTP Plan. This is driven by a number of factors including further Cat M price changes, ongoing NSCO pressures and growth above predicted levels plus the impact of latest antibiotic demand linked to Strep A and winter.
- COVID Transition – as per previous months linked to the spend detailed in Table B3, less funding received in allocation letter 81.

Opportunities

- *Other Opportunities* – in addition to opportunities now recognised from slippage of schemes the discount rate for post-employment benefits was published in the Technical Accounting Update 2. This will create an I&E benefit in 2022/23, of potentially up to £1.5m based on an initial assessment. Further work required.

4. Monthly Positions (Table B)

At the end of Month 9 the in-month position reported an overspend of £0.203m, taking the YTD position to £4.301m overspent. Detailed below in section 4 is further information on the variances which are contributing to the operational pressures seen and impacting on the forecast of the Health Board.

Overall the in-month position did improve by £0.2m from Month 8 to Month 9, which reflects the improvement in the Morriston Service Group. However this improvement of £0.5m is not seen on the overall position as there was a deterioration in the NPTS Service Group driven by operational and demand pressures linked to beds and staffing pressures, as well as pressures within services hosted by this Service Group around Laboratory Medicine and Primary Care Prescribing.

Linked to Section 1 and the fact that the Health Board is reporting a deficit of £4.3m at Month 9 the table below summarises how the Health Board moves from current deficit to balance by 31st March 2023. These are reflective of the risks detailed in section 3 above and the table in section 1 (Action Pont 8.4/8.5/8.7).

	£M
Potential Deficit (£4.1m extrapolated to Month 12)	5.70
Actions required Month 9-12: 1.CKS Challenge Joint Package Funding 2. Financial Improvement Programme Morriston 3. Further Opportunities (Pension changes & slippage above plan)	 (1.25) (4.50) (2.40)
Further Risks: 1. Prescribing	 2.40
Potential Risk Adjusted Forecast	**(0.050)**

As outlined in Month 8 reporting Pay is a key driver of the financial challenge faced in 2022/23 and reflects the increase in actual WTEs and the continued reliance of Variable

Pay above 2021/22 levels. In Month 9 the WTE increased by a further 94 WTE but across the Health Board variable pay did reduce by £0.2m.

In addition to this and as referenced to in previous reports, the Mid-Year Review presentation and also the section below there are pressures in areas of non-pay when compared to 2021/22 and these areas are: -

- Clinical suppliers and consumables (including drugs)
- Premised & Fixed Plant linked to material costs
- Continuing Healthcare

Month 8 also saw the Primary Care Prescribing pressure materialise within the ledger which has continued in Month 9 and contributed to the deterioration in the NPTS Service Group position, who host this area.

Variances in Month 9

In summary the key issues from a variance perspective in month 8 were: -

- Income - Overachieved in Month
  - As in previous months.

- Pay - Overspent in Month
  - Variable Pay – overall variable pay was below Month 8, with £0.2m decrease. There was a reduction in Agency costs associated with Non Medial Roles and Bank but increases in WLI's and irregular/additional hours for medical staff. However, the total variable pay (including WLIs) remains in excess of £6m per month.
  - WTE - There was also an increase in the number of WTE by 94 between Month 8 and Month 9, which contributed to the increase in pay in month.

- Non Pay - Overspend in Month
  - In Month non pay pressures have remained overall in line with Month 8 but the issues below are still contributing to the YTD position.
  - As per previous months whilst there were variances across all 89 lines that make up clinical consumables, the most significant pressures as in previous months were seen in M&SE General and Disposable. In Mth 9 some clinical areas saw a reduction in consumables, particularly cardiac. However this is often the case through the Christmas period.
  - As reported in previous months' areas such as establishment expenses and Premised & Fixed Plant (across multiple lines) are impacting on the non pay positon and the latter deteriorated further in Mth 9.
  - As in previous months CHC continues to be a pressure for the Health Board, linked to increases in both demand and price growth.
  - Savings – a key contributor to the improved non pay position was savings delivery. In month the non-delivery increased to £0.241m compared to £0.127m in Month 7. Cumulatively savings still represents £3.7m of the £5.2m YTD overspend.

Within the previous month reports are the full details of the actions being taken by the Health Board, since Q1 to support the position and the challenges. The information below only reflects updates and is not the full list: -

- Action: Independent, specialist financial improvement support has been identified to assist Morriston Service Group with its financial challenges. This support commenced on 12th September 2022.
  Update: In Month 9 the Morriston Service group position reduced in month from £2.3m overspend to £1.7m overspend reflecting some of the actions. However the pressures from NPTS Service Group reduced some of the benefits of this on the YTD position. However, discussions at Performance & Finance Committee have highlighted the need to capitalise on the work of the specialist financial improvement by sharing learning and opportunities across all areas of the Health Board.

  Whilst the December improvement is positive there are a number of points of note that could impact in Month 10 onwards:
    - In December there is usually a downward trend on the use of agency as less substantive staff take annual leave. And this has been seen in the % of staff available to work on the ward areas during December.
    - The pressures on NHS in December has resulted in staff being offered double time to cover shifts which is not within the position and could take up to 6 weeks to be reflected in Pay.
    - Additional Surge beds have been opened to support pressures in December and continue into January, which will require additional staff and are likely to mean an increase in the use of Variable Pay for both medical and non-medical roles.

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

- Month 8-9 movements
    - Pay – there has been a 94 increase in the WTE as detailed above but a small corresponding reduction in Variable pay. The most material change is allocation of accountancy gain in December as per action point 8.2.
    - Primary Care Contracts – this in month increase reflects the £2.5m allocation increase from GMS (letter 7).
    - Healthcare Services provided by Other Bodies – this reflects the funding transferred to WHHSC for Vertex funding issued by WG and passes to WHSSC for Q2 costs (letter 76).
    - CHC/FNC – this reflects the backdated payments for inflation relating to come CHC cases and also FNC, which was in line with expectations.

- Y/E Forecast Movements
    - Primary Care Drugs – continued increase in forecast linked to the PAR which indicating a significant increase (please refer to risk section of report).
    - Joint Financing, Pay & Non Pay Line – the Joint Financing line forecast has reduced by £3m. This is because on further review some of the costs linked to RIF were recorded within the Provider Pay and Non Pay lines for periods 1-9. Therefore, an element of the costs for RIF for future months has moved to Provider Pay and Non Pay lines.

Ring Fenced Supplementary Return (updated Action Point 7.5/8.8)

- COVID Recovery – at Month 8 £3.7m remained uncommitted and at Month 9 this has reduced to £2.7m and is forecast to be utilised in full by 31st March. As noted in section 3 there remains a risk that the Health Board could be over-committed against the funding by £1.4m in 2022/23.
- Urgent Emergency Care – review has been undertaken on the '6 Goals' projects and the commitments made in year, which currently exceed the £2.960m allocation. However, for the purpose of this return on the committed expenditure has been held to the allocation, whilst further work is undertaken.
- RIF – information on current and forecast expenditure have been complied jointly by the Local Authorities and the Health Board. The RPB continues to work on the commitments to the end of 2022/23.
- Value Based Health Care – no further updates from Month 6 submission, although the investment in Heart Failure has increased for the year and community schemes commenced associated with phase 2 of the Virtual Wards within Clusters.
- Mental Health (SIF) Allocations – updates on commitment made for 2022/23 have been reflected in the Month 8 submission. The uncommitted value is reducing as the month's progress.
- Planned Care – now reflects the allocation for Q1-Q4 only.
- VBHC – aligns to the submission made to the FDU on 2nd December and reflects the position of the schemes at this point, with £0.216m uncommitted against allocation of £1.1m.

At the end of Month 9 the Revenue Resource Limit is under-phased by £17.8m, the reasons for this can broadly be described as follows but the HB will continue to undertake further work on this as the year progresses: -

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

5. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 9 is £3.411m, which is 7.1% of the overall pay expenditure and is £0.256m lower than the Month 8 position as noted in Section 4 on Pay.

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

- Vacancy Cover – 51%
- Temporary Absence Cover – 27%
- Additional Support to delivery and performance – 14%
- COVID-19 –8%

6. COVID-19 (Table B3)

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

There has been a marked increase again in Month 9 for PPE costs, which is anticipated to remain high in Month 9 but reduce in the final quarter (Action Point 6.6) and this will continue to be reviewed.

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

The forecast for 2022/23 at Month 9 is provided in the table below:

RRL COVID Allocations	2022/23 Forecast @ mth 9
	£'000
National Programmes: Tracing	5,601
National Programmes: Testing	2,275
National Programmes: Mass Vaccinations	7,886
National Programmes: PPE (Exc Stores Staff)	4,304
National Programmes: Long COVID	436
National Programmes: Nonsocomial	508
COVID Transition Funding Recevied: Extended Flu Funded to Date	918
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418
COVID Transition: Cleaning Standards	1,906
COVID Transition: Dental Income Shortfall (Balance)	260
COVID Transition: Other	32,679
Total Table B3	58,191

Whilst recognising that Month 1-8 of local COVID costs have been received in Month 8 the balance of local anticipated allocations, above the national programmes continue to be recognised as a risk within Table A2. This should reconcile to the figure included in Section 9 on COVID.

Annual Leave:

There has been no change to the assumptions detailed in Month 7 and £9.9m has now been reflected as accountancy gains in savings and as per action point 8.2 is included in Month 9 pay line of Table B. However, this value has been excluded from the other 'Savings' related tables to separate Savings required to deliver the plan and the N/R opportunities released from the Balance Sheet that will support the operational pressures, as discussed in section 4 of this report (Action Point 5.4).

The £9.9m assumes the provision returns to its pre-pandemic levels and work in required through Q4 to fully assess the actual levels required for the 2022/23 accounts.

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

A summary of the savings position as reported in w/c 3rd January 2023 is provided in the Table below (excluding Annual Leave Accountancy Gain).

	Mth 1 £M	Mth 2 £M	Mth 3 £M	Mth 4 £M	Mth 5 £M	Mth 6 £M	Mth 7 £M	Mth 8 £M	w/c 03/01/23
Target 2022/23	**27.0**	27.0	**27.0**	27.0	**27.0**	**29.0**	29.0	**29.0**	**29.0**
Green & Amber	17.2	18.1	23.1	23.4	24.5	27.7	29.2	29.0	29.0
Red	4.6	4.9	3.1	3.1	3.1	2.7	3.2	0.9	0.9
Total Forecast Delivery	21.8	23.0	26.2	26.5	27.6	30.4	32.4	29.9	29.9
Total Identified	21.8	23.0	27.1	27.4	29.5	32.0	34.1	34.3	34.3

Of note is that there has been little movement between the reported position in Mth 8 and that of Mth 9.

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

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
MHLDCIP2301	Reduced nurse variable pay from effective rostering, to included annual leave planning and action on working breaks, sickness management and review of staffing levels.	375	500	This will not be delivered in year due to a number of reasons. There has been increased acuity, unscheduled care pressures, increased sickness and vacancy. So, our variable pay costs have been increasing not decreasing and this position is unlikely to change in the remaining months of the year.
MHLDCIP2312	Reduced cost from review and right sizing by CHS	180	180	This relates to CHC cases that have triggered a CHC review leading to a contribution to these cases from local authority. There is on-going negotiation with the LAs and the level of contribution is not yet resolved. It has been necessary to push this saving back a number of times already and these savings cannot be relied on in the current financial year.
MHLDCIP2313	Reduced cost from improved management of voids	20	20	We are currently carrying voids, these have actually increased in year, and there is difficulty placing service users in these voids.
MORCIP0006	Additional Pancreatic activity through commissioned 3rd weekly list	20	40	This scheme relies on increasing pancreatic activity. We have secured the consultant time through job planning, but theatre and bed capacity remain challenging - work continues to resolve this as part of the overarching strategy to increase surgical throughput via development of elective hubs. Until we have regular sessions we are keeping this amber as a risk.

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
MORCIP0014	LOS - Heart Failure Team	262	466	This is a Spend to save scheme; required investment and appointments, implementation has slipped hence still amber. Patient backlog and flow to community beds has impacted delivery timescales and ability to drive out the cost reductions; we are not turning green until we can see the mitigating actions on patient flow starting to show impact. We are working with community colleagues, social care colleagues and developing changed service models around internal flow. We are also working on developing other schemes to mitigate the shortfall.
MORCIP0020	AP's instead of Band 5's	47	70	The training that would have allowed this to progress to a saving has been pulled by the University and a cohort will not run this year. The intention is to train next year and therefore this will now become a pipeline CIP. We are unable to mitigate this, as it is outside of our control.
MORCIP0021	DNA Rate review & reduction plan - text reminders	39	59	A reduction of DNA through planned actions will result in better throughput per clinic and allow us to reduce staffing levels or outsourcing. We've targeted a small reduction and believe it is deliverable. We are still reviewing data and clinic arrangements to ensure we are delivering before turning green. No barriers raised by service yet – we just haven't completed August reporting/ data review to have assurance it is delivering.
MORCIP0041	Charitable Funds Strategy	100	-	Due to leave of the staff involved in the scheme, we are not expecting the scheme to turn green before end of August. Working on where the opportunities are to reduce revenue spend and more effectively utilise charitable donations this year. We have now identified a number of specific opportunities and are working through internal governance to utilise charitable funds rather than revenue sources.
MORCIP0044	Associate Specialists into Medical Vacancies	38	75	These scheme has been delayed due to other wider service changes linked to an OCP. We are working on mitigating it in the interim (see new schemes emerging) and considering the recurrent opportunity post the service changes already in train.
MORCIP0059	Procurement Savings	267	267	We have reassessed opportunities across a variety of general procurement lines which are now being pursued, schemes will turn green when pricing/ volume/ item changes have been agreed with relevant parties. We anticipate achievements not being straight line but are confident the approach will bring significant cost reduction benefits. We have already had success with other procurement schemes as above.
MORCIP0060	Procurement Savings	33	33	As per comment above

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
MORCIP0061	Procurement Savings	226	226	As per comment above
MORCIP0062	Procurement Savings	116	116	As per comment above
MORCIP0063	Theatre Instrument switch	154	154	The theatres procurement group is working with the procurement team and we have good engagement, we have seen the first scheme taking hold but has been low value, would hope to turn this green in the new year.
PCCCIP2381	Supporting care home with EMI model of nursing care	261	521	We undertook a tendering exercise with Procurement colleagues but there was no interest. Feedback from the care home sector is that they are struggling with recruitment and therefore do not have the capacity to take on more complex EMI patients. It is recognised that there is a deficit in EMI capacity in the Swansea / NPT region and therefore the HB needs a strategy to meet this shortfall as the number of patients is growing. The HB has undertaken a strategic review of CHC and has this issue has been highlighted. We will look at a solution to address the shortfall in the 23-24 IMTP.
PCCCIP2396	(W314,H314 & H311) relocation of Health Visitors	10	41	This delivery of this scheme was predicated on a wider accommodation review, considering the external payments we currently make for accommodating Health Visitor staff, alongside the contract terms and potential for agile staff relocation. On careful review, change to the existing patterns will unfortunately not achieve the saving initially sought.
NPTSCIP2358	Primary Care Over delivery	150	150	This will be a green when the forecast delivery shows the required levels. All actions are in place the question is about performance and exact delivery levels.
DS2310	MS365 VAT recovery 22/23	478	478	We were hopeful of an answer form HMRC during December but this has not materialised and a further meeting is due to be scheduled for January. We are confident the outcome will be in our favour, but are awaiting formal confirmation of this.
DS2311	MS365 VAT recovery 21/22	389		We were hopeful of an answer form HMRC during December but this has not materialised and a further meeting is due to be scheduled for January. We are confident the outcome will be in our favour, but are awaiting formal confirmation of this.
	Total	**3,165**	**3,396**	

8. **Welsh NHS Assumptions (Table D)**

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

9. **Resource Limits (Table E)**

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

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

The table is broken down into 3 section, the national programmes, COVID transition for which funding has been received and COVID Transition for which Month 1-8 funding has now been received:

Income Assumptions	Received	Anticipated	2022/23 Forecast @ mth 9	Total By Type
	£'000	£'000	£'000	£'000
National Programmes: Tracing	3,890	1,711	5,601	21,010
National Programmes: Testing	1,290	985	2,275	
National Programmes: Mass Vaccinations	4,744	3,142	7,886	
National Programmes: PPE (Exc Stores Staff)	1,751	2,553	4,304	
National Programmes: Long COVID	-	436	436	
National Programmes: Nonsocomial	508	-	508	
COVID Impact Funding Recevied: Extended Flu Funded to Date	918	-	918	2,336
COVID Impact Funding Received: Dental Income Shortfall (as per WG Letter)	1,418	-	1,418	
COVID Impact : Cleaning Standards	1,271	635	1,906	34,845
COVID Impact: Dental Income Shortfall (Balance)	-	260	260	
COVID Impact: Other	22,059	10,620	32,679	
Total Table B3	37,849	20,342	58,191	58,191

The £23.330m allocated via letter 81 has been deployed as per the lines highlighted in the table above, and it is assumed that part of the funding is to support Cleaning Standards as well as those costs classified as Other. If our interpretation is incorrect we would be grateful for the working behind the letter allocating the £23.330m.

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

RRL Extraordinary Items Allocations	Received	Anticipated	Total Forecast 22/23
	£'000	£'000	£'000
National Insurance Health & Social Care Levy	4,042	-	4,042
Real Living Wage (Care Homes Only)	2,995	-	2,995
Energy Costs (Inc Non British Gas Items)	4,180	6,849	11,029
TOTAL ALLOCATION	11,217	6,849	18,066

Updates on remaining anticipated item of Energy is below: -

- Energy = There is no change to the overall forecast at the end of December. However as outlined in the Mth 8 letter, the Health Board will be undertaking its own assessment led by the Health Board Energy Lead in Estates and supported by Finance. This will build in the actual invoices paid to British Gas and the Health Board's own assessment of the likely costs and volume for the remainder of the year, recognising the Solar Farm impact and the need to cover both the repayment of the invest to save and the savings as per the original Business Case. This is due to be reviewed by all parties at the end of w/c 16th January and so no update is available at the time of completing the Mth 9 letter. In additional no change has been made to the PFI and Primary Care Premises line from that submitted in Month 7.

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 reduced from £10.542m as at the end of November to £10.766m as at the end of December 2022, a reduction of £0.224m. The reduction mainly relates to drugs stocks at Morriston and Singleton Hospitals.

There has been a decrease of £19.258m in trade receivables from £219.661m at the end of November 2022 to £200.403m as at the end of December 2022, mainly as a result of a reduction in the income accruals for anticipated allocations and the profiling of the cash draw downs.

The closing December 2022 cash balance of £1.868m is in line with Welsh Government target and the best practice cash target for the Health Board of up to £6m at month end.

The trade and other payables figure saw a decrease from £221.350m at the end of November 2022, to £206.938m at the end of December, a reduction of £14.412m. There were reductions across all payables areas including in goods received not invoiced, NHS creditors, trade creditors and directorate accruals for invoices not received.

11. Cash Flow Forecast (Table G)

As at the end of December 2022, the Health Board had a cash balance of £1.868m which is in line with the planned month end cash balance of between £1m and £2m.

The current cash forecast of a deficit of £34.470m in Table G is the current best estimate of the year end position, but there are a number of factors impacting on this cash forecast. These factors and the cash requirement associated with each are detailed in the table below which confirms the current working capital cash requirements.

The forecast cash deficit reported is predicated on the receipt of all anticipated cash allocations detailed in table E and it is a major concern that as at the end of December 2022 there remains £40.019m of anticipated allocations not yet confirmed. This includes particularly large amounts in respect of COVID (£20.342m) and for the energy price increase (£6.849m). It is essential that these allocations are confirmed and issued to the Health Board as soon as possible to provide more certainty in respect of the cash forecast. As will be noted from the cash flow forecast in table G if these allocations are not available for draw down by mid-February at the latest then the Health Board will have insufficient cash to meet its payment commitments from the beginning of March, given that working capital cash cannot be drawn down until March.

The second factor informing the cash flow forecast is the significant forecast reduction in capital creditors of £21.664m. Whilst the HB has received an initial temporary increase of £15m to the CRL in respect of this movement, conversations with WG have indicated that this cash cannot be included in the cash forecast until confirmation of the availability of this cash is made following the supplementary budget in February 2023. This cash has therefore been removed from the cash flow forecast in March 2023 as agreed with WG, contributing £21.664m to the cash forecast deficit (the £15m identified plus the remaining capital creditors forecast reduction of £6.664m).

The third factor is the forecast reduction in revenue working capital balances and the associated cash impact. As can be seen from the statement of financial position, revenue creditors are forecast to reduce by £35.091m, which comprises a number of elements. There are payments to staff who have sold back annual leave in 2022/23 and backfill costs associated with covering the additional leave that staff carried over at the end of 2021/22, the allocations in 2021/22 for this being resource only with no cash. There are forecast reductions in other creditor areas as part of the balance sheet releases discussed with WG and the Finance Delivery Unit at the mid-year review some of which are cash impacting and some of which are not, as well as reductions in trade creditors and goods received not invoiced as part of the Health Board's ongoing push to improve its PSPP compliance. Whilst an element of the reduction in creditors can be offset through reductions in receivables, the cash impact of forecast movement in provisions and through managing cash payments closely during March 2023, this still leaves a sum of £17.204m needing to be covered through additional cash to cover the forecast cash deficit. This figure will also increase if the full value of the anticipated allocations in Table E is not provided in cash, reinforcing the requirement for those anticipated allocations to be confirmed and issued as soon as possible.

Finally, another factor at play and impacting on revenue cash is the fact that revenue cash is owed £6.477m from capital cash as the capital cash payments made in 2021/22 exceeded the cash drawn down via the CRL. Therefore, £6.477m capital cash is also required in addition to the £21.664m capital cash requirement for movement in working capital balances. Receipt of this £6.477m together with the opening cash balance as at 1st April 2022 would therefore leave a revised cash requirement of £7.104m for movement in revenue working capital balances, giving a small cash surplus of £0.775m at the end of March 2023 as in the table below.

Cash Position for Month 8	Total
	£'000
Opening balance as at 01/04/22	**4,398**
Reduction in Capital Creditors	-21,664
Forecast deterioration in revenue working balances	-17,204
Forecast Closing Cash Balance	**-34,470**
Cash Support Required	
Movement in working capital - capital cash	21,664
Capital cash to repay revenue	6,477
Cash required for revenue working capital balances	7,104
Total	**35,245**
Revised Cash Balance	**775**

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 3 with compliance being 95.05% for the quarter. This also ensured that the PSPP target cumulatively to the end of December of 95.1% remained above the 95% target.

NHS payment compliance was, however, below 95% with the quarterly performance being 88.1%. This is lower than in the first 2 quarters and was due to delays in the authorisation of NHS invoices within the service groups as a result of the service pressures being experienced by frontline staff responsible for the authorisation of NHS invoices.

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

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

The forecast outturn shows a reduced overspend position of £1.018m. Allocations are anticipated on the schemes shown below which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
Regional Pathology	0.900 / Low	Funding anticipated from WG.
Eye Care - Open Eyes Ophthalmology System	0.061 / Medium	Funding anticipated from WG.
Sapphire Suite	0.030 / Medium	Funding anticipated from Regional Capital.
Welsh Intensive Care Information System (WICIS)	0.027 / Medium	Funding anticipated 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 and as discussed with the WG Capital & Estates team on 10th January, a change to the funding assumptions on the City Deal.

Scheme	£m / Risk Level	Narrative
National Programme – Imaging P2	0.900/ High	• All works contracts have now been let, but contractors have indicated increased programmes timescales and reduced spend profiles this year.
Morriston Hospital Infrastructure Modernisation – Phase 2 Stage 2	0.400 / High	• Work has commenced later than anticipated, resulting in a reduced spend profile from the SCP.

All other schemes on the Capital Programme are categorised as low risk and any variances are linked to planned contributions from discretionary.

14. Aged Welsh NHS Debtors (Table M)

Due timings, Table M has been completed prior to the M9 Agreement of balances being fully signed off.

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 £396k at the end of December 2022 (Nov 2022 - £492k) with the number of invoices in this category reducing to 18 (compared to 32 in Nov 2022) at the end of December 2022.

Of the 19 outstanding invoices between 11 and 17 weeks old, 5 invoices have been paid since the end of December 2022 amounting to £22.6k. Of those still outstanding:

- 3 relate to Aneurin Bevan Health Board, 2 of which are Pharmacy related.
- 7 relate to Cwm Taf Morgannwg Health Board, of which 3 relate to Looked after Children, and 3 relate to secondment recharges.
- 1 relates to Hywel Dda, which relates to the contribution towards ARCH Project 2022/23.
- 1 relates to Welsh Government, which relates to the annual recharge for a member of staff.

The issue relating to Looked after Children invoices is being investigated although Cwm Taf Morgannwg Health Board have confirmed that all 8 invoices outstanding with them are agreed and just waiting for a purchase order to be raised to enable the invoices to be paid. This was highlighted as part of the letter for Month 8, and is still ongoing.

There are 21 invoices outstanding for more than 17 weeks (19 in November 2022). Of these:

- 2 invoices relate to Aneurin Bevan Health Board
- 1 relates to Cardiff & Vale Health Board
- 13 relate to Cwm Taf Morgannwg Health Board

- 1 relates to Hywel Dda Health Board
- 2 relate to Welsh Government

None of these invoices have been disputed and 2 of the 3 Welsh Government invoices were agreed as part of the month 7 agreement of balances exercise, and only 2 invoices relating to Cwm Taf Morgannwg have been paid since the end of December.

15. Ring Fenced Allocations (Tables N & O)

Table N & O have been completed for Quarter 3 as required. GMS is currently forecast to overspend by £0.690m and Dental are currently forecast to underspend of £0.047m.

16. Summary

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

These Monitoring Returns incorporate the financials of the following hosted bodies: -

- Delivery Unit
- EMRTS.

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

These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee for the meeting scheduled on 24th January 2023.

Yours sincerely,

....		....
DARREN GRIFFITHS	pp.	**MARK HACKETT**
DIRECTOR OF FINANCE		**CHIEF EXECUTIVE**

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