

Dyddiad/Date: 13th July 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 30th June 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	CURRENT
	IMTP	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

With regard to AP2.1 the plan in table A has been updated to ensure Month 1-3 reflect the planned YTD figure of £25.8m, by increasing the plan value for Month 3. The remaining months of FY 2023/24 are now aligned to the profile reflected in the table under section 4.1.

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)

As noted last month the re-assessment of risks as part of the resubmission on 31st May 2023 resulted in the Health Board grouping together risks to keep a focus on the 4 core areas that may impact on the delivery of the plan.

Throughout June the outputs from the weekly CEO/DOF meetings with the Morriston and Neath Port Talbot Singleton (NPTS) Service Groups have focused on the overall position regardless of whether it relates to COVID transition, Savings or Run Rate. The alignment of risk has resulted in a number of changes to the table below:

Risk	Opening Plan	Updates	Review	Review	Revised Risk
	31/03/22	Since 01/04/23	Plan 31/05/23	Plan 30/06/23	
	£M	£M	£M	£M	£M
Run Rate	27.9	- 2.5	- 4.0	- 7.8	13.6
COVID Transition #1	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	-	9.4	-	9.4	-
Savings #2	22.2	- 10.6	- 6.3	7.3	12.6
Total Assessment of Risk	63.5	- 5.9	- 10.3	- 21.1	26.2

#1 Run Rate and COVID Transition merged within this line

#2 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 £26.2m detailed in the table above. Further details on the actions to mitigate risk are provided in section 4 below.

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		
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	36.0	10.2

The plan for Month 3 was to be £8.427m overspent. The actual variance at Month 3 was £11.425m putting the Health Board £2.998m over plan. However, the performance against plan did improve from the Month 2 position of £4.249m. This improvement can be attributed to 2 key areas (1) pay, with a reduction in variance in part driven by reduced Variable Pay and (2) improvement in the delivery against savings targets as reported via Table C of MMR.

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**

Further deterioration in the delivery of income, primarily this relates to the income from our commissioners and in particular WHSSC and the delivery of the WHSSC contract.

Whilst AP1.6 requested that the anticipated dental income should be removed which has been transacted, it needs to be highlighted that Health Board is seeing an increased pressure as a result in the loss of Dental Contract Income with a further with a YTD shortfall of £0.497m. The cause of this is the contractual change as we move away from a contract focused on UDA's and one to support those in greatest need of dental treatment. However the implications of this is materialising through the financial performance of the Health Board.

- **Pay**
The Month 3 pay was overspent and this reduction to £1.2m is in part driven by the £0.6m reduction in Variable Pay between Month 2 and Month 3, linked to Overtime and WLI. There was also a reduction in WTE actuals between Month 2 and 3. This reduction relates in the main to two areas, Nursing and Additional Clinical Services (HCSW), with these 2 areas also seeing a corresponding reduction in overtime costs, which impacts on the WTE reported in the ledger.
- **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 are 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%. The savings target has been profiled in equal twelfths. However there remains a gap in the delivery of savings to meet the target set which has resulted in a £0.7m variance in Month 3, however is has reduced by £0.4m since Month 2. The target now also includes a roll forward for recurrent savings not delivered in 2022/23.
- **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)

For Month 3 submission the keys issues of note from Table B1 are summarised below:

- Revenue Resource Limit (RRL) - Prior Month Forecast (PMF) = additional allocation to support Recovery Pay Award made in Month 3; Prior Month Full Year Forecast (PMFYF) reflects changes to the anticipated income as the Regional Recovery anticipated funding of £21m was not previously included, plus additions of £12m for the Recovery Pay Award made in Month 3 and changes to Non Cash Depreciation.
- Income Welsh LHB – (PMF/PMFYF) this reflects the changes linked to the LTAs signed at the 30th June.
- Income WHSSC PMF/PMFYF – assumptions regarding actual WHSSC income will vary month on month depending on the actual performance being undertaken on the Morryston site linked to the various specialist services provided by the Health Board.
- Provider Pay PMF / PMFYF – primarily the Recovery Pay Award made in Month 3.
- Provider Non Pay PMF/PMFYF – in Month 2 the £21m for the anticipated Regional Recovery Programme was not included as an anticipated allocation. This has been added for Month 3 but at this point remains in Non-Pay pending further work on profiling.
- CHC & FNC - PMF reflects inflation costs which were previously within Month 12. Some of the costs have been profiled for remaining months and some left in month 12 pending further work on inflation and RLW.
- Joint Financing – PMF nothing of material note for this line. However given this is where some of the RPB/RIF costs are allocated there can be issues with timing of invoices being transacted.
- Depreciation – reflects additional funding and changes linked to the base value for Depreciation and IFRS16.

4.4 Actions in Plan to Manage Risks and YTD Variance

The Month 1 and 2 MMR Letter detailed the actions being driven by the Health Board to mitigate the planned deficit and the risks. Updates or additional actions above those reported in previous months are captured below:

- **Enhanced Monitoring** – both 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, which in turn contributed to the reduction in the overspend against plan in Month 3.
- **Additional Support** – in Month 2 it was reported that the Health Board would provide additional support from Finance Business Partner perspective into Morriston Service Group and this will now be extended to NPTS Service Group. Plus a review over the next 2 months on staffing with our Operational Finance Team (band 6 and below).

4.5 Other Areas of Comment:

- **Energy Forecast (F)**
No further update from the position reported in within the Month 2 submission.
- **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 line 29.
- **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 3 is £3.714m, which is 5.2% of the overall pay expenditure and is £0.352m higher than the same period in 2022/23. However overall this has been offset by a reduction in Overtime and WLI's resulting in a reduction in Variable Pay.

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 – 57%
- Temporary Absence Cover – 16%
- Additional Support to delivery and performance – 20%

- COVID-19 – 7 %

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	1,500
TOTAL	11,961

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

At 10th July 2023 the weekly internal reporting mechanism within the Health Board reported savings identified in 2023/24 of £20.2m, which is a +£9m increase on the savings identified at the end of Month 2. The tables within the MMR were based on the data at the end of June 2023 and since the data was run, the value of savings identified and reported on 10th July 2023 has improved compared to the overall value within the Month 3 MMR.

The Health Board's approach and focus by the CEO and DOF delivered £29.5m against the in year 22/23 target of £29m, with schemes continuing to be identified and added to the savings tables in the MMR throughout 2022/23.

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
NPTS01	Procurement Savings	200	200	It is amber as there is not a defined plan for delivery we are monitoring performance on a month by month basis. The current plan is generic and not clear what relates directly to our unit. It will go green when the plans clearly are identified to our unit and or if it delivers the identified target in full.
	Total	200	200	

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.

Dental Loss of Income:

As requested the Health Board has removed the Dental line from Table B3 and anticipated allocations, but is still requiring funding to support the change in the contract, which has seen a £0.497m pressure in the first 3 months of 2023/24.

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 £10.714m at the end of March 2023 to £11.112m at the end of June 2023, an increase of £0.398m. The increase mainly relates to drugs stocks across all hospital sites.

There has been an increase in trade receivables from £200.230m at the end of March 2023 to £202.155m at the end of June 2023, an increase of £1.925m. There has been a small increase in non NHS income accruals and an increase of £1.007m in the VAT debtor as all VAT claims relating to 2022/23 have to be submitted by 31st July 2023.

The closing June 2023 cash balance of £1.463m is in line with the Health Board target of a cash balance of £1-£1.5m at month end and well within the best practice cash target for the Health Board of £6m.

The trade and other payables figure saw a reduction from £317.235m at the end of March 2023 to £191.045m at the end of June 2023, a reduction of £126.190m. This comprised a reduction in capital and revenue payables. The reduction in revenue payables mainly relates to reductions in goods received not invoiced, accruals, NHS and WGA (Whole Government Account), and other creditors.

Provisions increased by £18.091m from £158.473m at the end of March 2023 to £176.564m at the end of June 2023. The increase relates to the first quarter quantum reports for clinical negligence, personal injury and GP indemnity claims.

11. Cash Flow Forecast (Table G)

As at the end of June 2023, the Health Board had a cash balance of £1.463m which is within the planned month end cash balance of between £1m and £2m.

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 June 2022, 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% PSCP 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 PSCP 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 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 – Morrision 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 £67k at the end of June 2023 (May 2023 - £597k) with the number of invoices in this category increasing from 3 at the end of May 2023 to 7 at the end of June 2023.

Of the outstanding invoices between 11 and 17 weeks old, none have been paid since the end of May 2023. The majority of the outstanding debt between 11 and 17 weeks relates to 2 invoices with Powys, and accounts for £65k. All invoices outstanding were agreed as part of the year end agreement of balances.

There are no invoices outstanding for more than 17 weeks at the end of June 2023.

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

Tables N & O there is no requirement to complete these tables for Month 3.

Table P this has been completed for the first time in Month 3. For both UEC and Recovery (£120m) the plan value exceeds the WG allocation but reflects the Financial Plan submitted as part of the IMTP on 31st May 2023. Whilst there are uncommitted values against Recovery (£120m), RIF, UEC 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.

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 25th July 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

