

Dyddiad/Date: 13th June 2024

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 RETURN 31st MAY 2024

I enclose with this commentary the completed proformas in respect of the Health Board's Monitoring Returns to 31st May 2024.

The Annual Plan submitted on 28th March 2024 reported a deficit of £50.1m after the delivery of £26.1m of savings. The expectation was that the in-month position would reflect a 12th of the £50.1m deficit. For Month 2 the Health Board (HB) has reported a deficit of £8.9m (Month 1, £9.5m) against a 12th of the deficit plan of £4.2m. Clearly this position is unacceptable and immediate actions continue to be taken.

As detailed in the Month 1 submission, the Chief Executive Office (CEO) set out a number of actions to address the run rate pressures and during May 2024 the CEO also established clear actions for each Executive Team member, which are in addition to the Thematic Programmes referenced in Opportunities under Section 3. Furthermore a series of immediate next steps were agreed with Independent Members on 11th June 2024 and these are detailed in Section 4.4.

The key drivers of the in-month position were as follows and a similar summary was provided for month 1:

Table 1: Key Drivers

Month 2 - In Month	HB Wide £'m	MH/LD £'m	PCT £'m	NPTS £'m	Morr £'m	Corp £'m
Plan 1: Plan						
12th Deficit Plan	4.2	-	-	-	-	-
Part 2: Savings Delivery						
Non Delivery £26.1m Savings	0.7	-	(0.3)	0.2	0.6	0.1
Part 3: Operational Pressures						
Income						
WHSSC Performance	-	-	-	-	-	-
Dental PCR Income	0.3	-	0.3	-	-	-
Pay						
- Medical	1.5	0.3	-	0.6	0.6	-
- Nursing (inc UQ)	1.7	0.5	-	0.1	1.1	-
- COO Overtime	0.2	-	-	-	-	0.2
Surge Beds						
- Gorseinon	0.1	-	0.1	-	-	-
- SUSD	0.2	-	0.2	-	-	-
- Singleton	0.2	-	-	0.2	-	-
Non-Pay						
Non Pay General	0.4	-	0.2	0.1	0.1	-
Estates	0.2	-	-	-	-	0.2
CHC	0.6	-	0.6	-	-	-
Sub Total Part 3	5.3	0.8	1.4	1.0	1.8	0.4
Part 4: Offsets						
Balance Corporate Directorates & Z Codes	(1.2)					(1.2)
Sub Total Part 4	(1.2)	0.0	0.0	0.0	0.0	(1.2)
Total	8.9	0.8	1.1	1.2	2.4	(0.7)

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

The Health Board submitted an Annual Plan on 28th March 2024 which reported a deficit of £50.1m. This has not been approved by Welsh Government (WG) who have requested as a minimum the HB reduces its deficit to £17m; work and discussions are underway. In order to meet the £50.1m deficit plan operational savings totalling £26.1m need to be achieved and all Service areas are required to breakeven to their delegated budgets. This will require the need for a significant reduction to the HB's current run rate of expenditure.

As part of the Financial Planning process the Health Board identified a number of areas of focus to reduce the £50.1m plan to £24.5m, under the banner of Thematic Programmes with dedicated Executive SRO Leads. Updates on progress were reported via the agreed internal governance route of Management Board 15th May 2024, Performance & Finance

Committee 21st May 2024 and then Board 23rd May 2024. However, given the YTD financial performance, the Board has insufficient assurance to reduce the Planned Deficit and the resubmitted financial plan value for 2024/25 reported on the 31st May 2024 remains at £50.1m, with significant risks to delivery.

Provided below is further information regarding the presentation of the numbers within the in-year section of Table A:

- Line 26 and Lines 31-34 reflects the adverse Operational Variance to Plan forecast for Quarter 1; this aligns to the summary provided above on the In Month position and assumes the actions outlined in section 4.4 deliver from the start of Q2. This will continue to be refined.
- Line 27 recognises the repurposing of the £2.16m discretionary COVID-19 funding (as shown on Line 22) as part of the Annual Planning cycle.
- Line 28 shows the impact of converting Red/Pipeline opportunities into delivery of Green/Amber schemes in the achievement of the Planned savings target (see associated risk in Section A2).
- Line 30 reflects the operational actions that will be required in addition to the delivery of the savings target in order to address the forecast Quarter 1 Operational Variation to Plan; this remains indicative as the work described in section 4.4 is established.

2. Underlying Position (Table A1)

The underlying b/f position reflects the £54.9m, reported both in the Month 12 MMR submission and the MDS submitted on the 29th March 2024. The Annual Planning cycle has resulted in an improvement of £4.8m, adjusting the underlying position to £50.1m. This is predicated on the recurrent delivery of £34.5m of savings schemes (£26.1m operational and £8.4m of disinvestment decisions made in the planning cycle) and of all Service Areas achieving a breakeven position against their delegated budgets.

3. Risk Management (Table A2)

Risks:

The risks reported at Month 2 are focused a two key areas:

- **Operational recovery** of the YTD and forecast Q1 financial position, which is discussed further in the opening paragraphs of this paper and under section 4.4. The risk reflects the potential non delivery in full of mitigating actions required to address the YTD and forecast Q1 overspend as detailed on line 30 of Table A.
- **Savings delivery** and the conversion of Red/Pipeline opportunities into deliverable Green/Amber savings schemes. As it is early in the financial year, the

risk regarding conversion to savings schemes has been limited to 60% of the current gap.

Opportunities:

As reported previously the Health Board has established Thematic Programmes to support the improvement in the reported Planned Deficit of £50.1m. Listing of the programmes and the SRO is provided in the table below:

Thematic Programme	£'m	SRO
UEC Improvement	(3.6)	Chief Operating Officer
Planned Care	(9.6)	Chief Operating Officer
Workforce	(2.7)	Interim Director of Workforce & OD
CHC	(3.4)	Interim Director of Strategy
Medicine	(3.5)	Interim Medical Director
Technical	(2.6)	Director of Finance & Performance
Transformational Change	(0.3)	Director of Finance & Performance
TOTAL	(25.6)	

The establishment of an internal run rate reduction team detailed in section 4.4, may also provide further opportunities and as these are identified they will be reflected in Table A2.

4. Monthly Positions (Table B)

4.1 Overview Variance & Plan:

The profile of income and expenditure in Table B is indicative at this stage given the number of actions underway. The profile will also be refined as further analysis is completed on the Month 1 and 2 operational drivers and mitigating actions.

Further details regarding the reasons for the variance to plan reported in Table B 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. The items below are those that drive the operational run rate pressures currently reported on Ref Line 26 and Lines 31-34 of Table A and relate to the summary provided in Table 1 above:

- Income**

The Welsh Health Specialised Services (WHSSC) Income as a provider improved in-month and achieved a breakeven position through delivery of an increase in Plastics and TAVI/Cardiology procedures. The YTD underachievement is £0.3m.

Dental Contract Income was accrued to breakeven in Month 1 as a holding position until the impact of the new pricing tariff was understood and in recognition of the likely (but not yet quantified) clawback from contractors in relation to underperformance in 2023/24. However, on receipt of the April data, the increase in income is 16% compared to the prior year; to achieve breakeven an increase of

69% would be required and therefore it is judged that the underachievement of £0.3m should be reported YTD in Month 2.

- **Pay**
The Month 2 pay overspend was £2.3m (Month 1, £2.8m), largely driven by Medical & Dental and Nursing across the acute sites and MH&LD in addition to Hotel Services within COO. The pay pressures are driven by a number of factors including the continuation of staffing surge bed capacity, pressures on services across the organisation and high levels acuity, coupled with high levels of sickness.
- **Clinical Consumables**
This area continues to be a significant pressure with an in-month position of £1.4m (Month 1, £1.7m). There are 80+ subjective lines within this category including secondary care drugs but areas seeing most pressures YTD continue to be general consumables (M&SE), laboratory products and implants (which in part will be driven by activity).
- **Non Delivery Savings**
The Health Board has set a 2.5% savings target for 2024/25 which has been issued to Service Areas. There is currently a gap in the identification, and therefore delivery, of savings to meet the target sets has resulted in a £0.7m (Month 1, £2.0m) variance in Month 2 (noting that PCT schemes recognised a YTD delivery in Month 2).
- **Prescribing**
At Month 2 the in-month position reflected in the ledger on Prescribing is an underspend of £0.4m (Month 1, breakeven) following the issuing of both growth and price inflationary investments within the Annual Plan, and in-month delivery of savings.

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)
 - PMFYF: The main drivers of the increase relates to new anticipated allocations in respect of DEL/AME/IFRS16 Recovery and funding for Junior Doctors (Medical Training Posts).
- Welsh NHS Local Health Boards & Trusts Income
 - PMFYF: The increase is based on the assumed continuation of YTD LTA performance, noting that LTA contracts are not yet agreed or signed.
- JCC Income
 - PMFYF: The increase is based on the assumed continuation of YTD WHSSC performance, noting that LTA contracts are not yet agreed.
- Other Income:

- PMF/PMFYF: this includes income for the R&D and Local Authority but there is no one specific area but a number of items each month impacting on the movement.
- Primary Care Contractor
 - PMF/PMFYF: The increase in-month relates to timing differences of contractual claims; the increase in the EoY forecast relates to GMS and Dental revised forecasts.
- Primary Care – Drugs & Appliances
 - PMF/PMFYF: The decrease relates to the in-month savings delivery and EoY forecast savings delivery.
- Provided Services – Pay
 - PMF/PMFYF: In Month 1 overall pay expenditure was forecast to decrease in Month 2 by £0.5m, however actual in-month performance is an increase of £0.9m. This is driven by the reasons provided in section 4.2 above.
- Provided Services – Non-Pay
 - PMF/PMFYF: The increase in the EoY forecast is primarily driven by the in-month increase of £0.5m compared to forecast. This is driven by an increase in the use of Blood products within Neurology, the associated consumables linked to improved WHSSC activity, Bed Hire costs and unplanned maintenance costs.
- Healthcare Services Provided by Other NHS Bodies
 - PMF: The decrease in-month relates to a timing difference only. Note that LTA contracts are not yet agreed or signed, which are the primary cost within this subjective grouping.
- Other Private & Voluntary Sector:
 - PMF: The decrease in-month is due to the timing of outsourcing/insourcing activity against the Recovery Plan and is not expected to affect the EoY forecast.
- DEL Depreciation
 - PMF/PMFYF: The increase corrects an error in the Month 1 submission whereby the forecast had not been updated to reflect the April Non-Cash Submission and was based on the WG Baseline Allocation value. The Month 2 submission reflects the latest forecast.
- AME Donated Depreciation
 - The Month 2 submission reflects the latest forecast.

4.4 Actions in Plan to Manage Risks and YTD Variance

As detailed in the Month 1 submission, the Chief Executive Office (CEO) set out a number of actions to address the run rate pressures and during May 2024 the CEO also established clear actions for each Executive Team member, which are in addition to the Thematic Programmes.

The additional actions above the Thematic Programmes, and associated Lead Executive, focus on:

- Medical Staffing Variable Pay – Acting Medical Director
- Nursing (Registered and Unregisters) Variable Pay – Director of Nursing

- Review Bank – Acting Director of Workforce
- Review Non Pay Outsourcing – COO
- Maximising Value & Sustainability opportunities – Director of Finance & Performance

As part of an Independent Members Financial Briefing post the Month 2 position, held on 11th June 2024 a series of further and immediate next steps were discussed and are underway. A final position on the actions below will be agreed upon the return of the CEO from planned leave on 17th June 2024:

- Compliance review on variable pay commitment following CEO instructions
- Corporate vacancy freeze
- Corporate positions to not commit further spend beyond Business As Usual (BAU)
- Urgent review of all cost pressures and inflation assumptions funded in this year's plan
- NHSE support on medicines processes
- Prioritisation of surge capacity and bed modelling to most cost effectively right size UEC system
- Assess and then roll out options to engage and support budget holders
- Establishment of the internal run rate reduction team – DoF to discuss further with Chair
- Review of individual Service Area financial strategies and identification of options for the Board to consider
- Implementation of weekly reporting to monitor drivers of financial expenditure during the month and taking corrective action earlier in the month

The majority of the actions above, excluding the thematic programme work, focus on the management of run rate reduction and savings delivery. The Health Board recognises that work is also required on the assessment of the choices made to support sustainability as part of both in the 2023/24 Financial Plan and the 2024/25 Financial Plan. Work will now be required to review the support provided for sustainability of services and updates will be provided in future letters.

4.5 Other Areas of Comment:

- **Energy Forecast (F)**
An update was received on 10th June 2024 from NWSSP regarding the forecast. This is being worked through with Service Leads and an update will be provided in the Month 3 MMR submission. The Month 2 submission remains unchanged.
- **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.

- **Accountancy Gains (E)**

There are no Accountancy Gains anticipated at this stage; this will remain under review during the year.

5. **Pay, Agency & Other Variable Pay Expenditure (Table B2)**

The Health Board Agency expenditure for Month 2 is £2.1m (Month 1, £1.8m), which is 3.2% (Month 1, 2.9%) of the overall pay expenditure.

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

- Vacancy Cover – 65%
- Temporary Absence Cover – 10%
- Additional Support to delivery and performance – 25%
- COVID-19 – 0%

Other Variable Pay (excluding Agency) is classified by the Health Board into the following categories: Bank, Overtime, Waiting List Initiatives (WLI) and Irregular Sessions and all of these have been included within the Table. A summary split by category is provided below:

Category	In-month expenditure £'000
Bank	2,041
Overtime	705
WLI	509
Irregular Sessions	323
Total	3,578

Both Agency/Premium Locum and Other variable pay remain key areas of focus for opportunities to reduce the current run rate of expenditure.

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

The total forecast expenditure shown on Table B3 for 2024/25 is currently £7.188m following a capping of expenditure versus the funding provided as part of the Annual Planning cycle. This action has been taken to drive efficiency within this element of the Health Board. The breakdown of this by area of COVID is provided below:

£'000	Funding	Plan / Forecast
Health Protection (including PPE)	3,994	3,154
Vaccination Programme	4,400	3,080
Long COVID	954	954
Total	9,348	7,188

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

The position reported in the MMR by each area is provided in the table below, which will only reflect Green and Amber schemes:

Service Area	2024/25 Savings Target £'m	Identified Schemes £'m	In-Year Shortfall £'m	Recurrent Schemes £'m	Recurrent Shortfall £'m
Corporate	4.7	2.7	1.9	2.7	1.9
NPTS Service Group	8.0	1.6	6.4	1.6	6.4
Morrison Service Group	7.8	1.3	6.5	0.7	7.1
MH&LD Service Group	2.6	3.4	(0.8)	2.2	0.4
PCT Service Group	3.1	4.4	(1.3)	3.4	(0.3)
Total	26.1	13.4	12.7	10.6	15.5

Overall there have been progress in the identifications of opportunities and further pipeline ideas. As the Health Board will need to deliver mitigating cost reduction actions to address the YTD overspend and run rate pressures the overall level of savings and mitigating actions required will be in excess of the £26.1m planned target. A summary of the total opportunities at 5th June 2024, is provided in the table below:

	2024/25 Savings Target £m	In Year Opportunities Identified Trackers 2024/25 £m	Less opportunities to manage In Year Pressures £m	In Year Opportunities to Deliver Savings £m	In Year Shortfall on Savings Target £m	Recurrent Opportunities to Deliver Savings £m	Recurrent Shortfall on Savings Target £m
Morrison	7.81	2.79	-	2.79	5.01	4.69	3.12
NPTS	7.97	5.32	-	5.32	2.64	5.44	2.52
MHLD	2.60	3.21	0.61	2.60	-	1.98	0.62
PCC	3.09	6.68	3.59	3.09	-	3.09	-
Corporate	4.65	2.72	-	2.72	1.94	2.57	2.09
	26.12	20.72	4.20	16.53	9.59	17.77	8.35

The level of unidentified savings, along with the need for run rate reductions has been escalated to Service Leads through the communication from the Interim Chief Executive.

8. Welsh NHS Assumptions (Table D)

Table D reflects the latest Month 2 position.

9. Resource Limits (Table E)

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

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

This table is not required until the Month 3 submission.

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

As at the end of May 2024, the Health Board had a cash balance of £6.921m, which is around the best practice cash target for the Health Board of £6m.

The cash deficit position of £103.455m is detailed in the table below:

	£'000
Forecast I&E Deficit	- 50,100
Reimbursement from Capital to Revenue	9,307
Movement in Working Capital Balances	- 65,521
Opening Cash Balance	2,859
Forecast Cash Deficit	- 103,455

The difference between the £103.455m forecast cash deficit and the Forecast I&E deficit Cash figure, reflects the £9.307m 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 is currently being undertaken several times a week, to ensure that any changes to our cash requirements, can be communicated in a timely manner to WG.

12. **Public Sector Payment Compliance (Table H)**

This table is not required until the Month 3 submission.

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

The forecast outturn shows an overspend position of £2.199m. Allocations are anticipated on the following schemes, which will provide a balanced position.

Scheme	£m	Narrative
City Deal – Morriston Access Road Design	0.974	Funding approved.
Business Case Fees - Modular Theatres, Singleton	0.477	Business case fees incurred for schemes included in the Health Board 10 year capital programme/national prioritisation.
Business Case Fees - Adult Acute Mental Health	0.172	Business case fees incurred for schemes included in the Health Board 10 year capital

Scheme	£m	Narrative
		programme/national prioritisation.
Business Case Fees - Tonna Older Adults Mental Health	0.043	Business case fees incurred for schemes included in the Health Board 10 year capital programme/national prioritisation.
Business Case Fees – Thoracic, Morriston	0.069	Business case fees incurred for schemes included in the Health Board 10 year capital programme/national prioritisation.
Business Case Fees - Urology Morriston to NPT	0.276	Business case fees incurred for schemes included in the Health Board 10 year capital programme/national prioritisation.
Business Case Fees - PET CT, Singleton	0.117	Business case fees incurred for schemes included in the Health Board 10 year capital programme/national prioritisation.
Business Case Fees - 2nd CT Sim, Singleton	0.070	Business case fees incurred for schemes included in the Health Board 10 year capital programme/national prioritisation.

The following allocations are classed as risks.

Scheme	£m / Risk Level	Narrative
Singleton Cladding - Main works and Patient Waiting Area, Morriston Hospital	0.205 / High	A CRL transfer from Singleton Cladding - Main Works to Patient Waiting Area, Morriston Hospital of £0.205m is required as agreed with Ian Gunney.

All other schemes are low risk and any variances are linked to planned contributions from discretionary and in some instances payback of prior year fees.

14. Capital Disposals (Table K)

There has been a property disposal of Cymmer Health Centre in May with sale proceeds of £0.175m. There are three other planned property disposals of Garngoch, Phillips Parade and Morryston land with combined expected sale proceeds of £0.850m.

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 May. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £48k at the end of May 2024 (April 2024 - £85k) with the number of invoices decreasing in this category to 6 invoices compared to 21 invoices as at the end of April 2024.

Of the outstanding invoices between 11 and 17 weeks old, 1 invoice (<£1k) has been paid since the end of May 2024.

All of the other 5 outstanding invoices (<£1k) shown in Table M were agreed as part of the M12 2023/24 Agreement of balances process.

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

These tables are not required until the Month 3 submission.

17. IFRS 16 (Table Q)

This Table is not required until Month 3, however as a value has been entered on Table E in respect of IFRS 16 Recovery this creates a validation error which will be resolved in Month 3 when this Table is populated.

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.

18. Governance Arrangements

In the absence of the Chief Executive, the monthly monitoring return submission will be approved by Darren Griffiths (Deputy Chief Executive) and for the Director of Finance by Samantha Moss (Deputy Director of Finance).

These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee on 25th June 2024.

Yours sincerely,



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SAMANTHA MOSS
DEPUTY DIRECTOR OF FINANCE



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DARREN GRIFFITHS
DEPUTY CHIEF EXECUTIVE

Jan Williams, Chair
Dr Richard Evans, Interim CEO
NHS Financial Management
Mr Jason Blewitt, Wales Audit Office

