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Dyddiad/Date: 13th October 2022

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 SEPTEMBER 2022

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 30th September 2022. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 30th September 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)

This plan is reflected in the opening section of Table A, which is an update to the Plan included in the Month 1-3 MMR submissions.

In addition, lines 26 and below of Table A will continue to be reviewed to provide greater clarity on the elements that support the Health Board's balance forecast for 2022/23.

As per the requirements in Action Point 4.3 the aspirational delivery of the recurrent savings that the Health Board continues to strive to achieve has been removed. However, it should be noted that the weekly CIP report from the w/c 3rd October 2022 shows plans to deliver £26.4m recurrently, with a continued focus on delivery as demonstrated in the Table below, with a further £5.9m of recurrent schemes identified in the last 3 months whilst at the same time the value of Red schemes reducing from £8.9m to £6.1m:

Improvement In Recurrent Delivery Since Month 3:

Recurrent Schemes	Mth 3 £M	Mth 4 £M	Mth 5 £M	@ w/c 03/10/22
Green & Amber	11.6	15.4	17.5	20.3
Red	8.9	6.8	6.6	6.1
Total Forecast Delivery	20.5	22.2	24.1	26.4
Increase In Delivery from Mth 3	0.0	1.7	3.6	5.9

An adjustment has been made to Table A line Ref 32 as requested, due to timing differences between the information taken from the Trackers used to populate Table C3 and the latest CIP report published on 3rd October 2022. After this adjustment this leaves a underlying shortfall of £6.7m, which is the £6.1m of Red schemes and the different between the £26.4m total recurrent forecast less the £27m target required. The £6.7m has also been reflected on Table A1. As the Health Board continues to strive to deliver the recurrent target both table A and Table A1 will be updated to reflect the underlying position.

2. Underlying Position (Table A1)

In line with the updated 3-year recovery and sustainability plan Table A1 had been updated to reflect the underlying position, which was balanced. However linked to Table A, the current non delivery of the £27k savings in full, this has now been reflected in Table A1 and will be updated as delivery of schemes improves.

3. Risks & Opportunities (Table A2)

Risks:

The key items in Table A2 at Month 6, for which there is an update since the Month 5 submission are: -

- *LTA Go Live* – no update. Awaiting Q2 data to assess whether any change in assumptions.
- *Savings Delivery* – The current savings targets for 2022/23 is now recognised as £29m. £27m is the recurrent target with a further £2m non recurrent target added to mitigate the operational pressures. The total value of schemes identified/planned including Red schemes totals £32m. The forecast delivery against the target is

reported as £30.4m, with £2.7m remaining in Red. For Month 6, the risk included in Table A2 has been removed as it is anticipated savings will be achieved in full.

Position based on Weekly Savings Report w/c 3rd October 2022:

	Total Identified (Planned) £M	Total Delivery (Forecast) £M	Green (Forecast) £M	Amber (Forecast) £M	Red (Forecast) £M
Report w/c 29/08/22	29.5	27.6	19.8	4.7	3.1
Report w/c 03/10/22	32.0	30.4	23.6	4.1	2.7
MOVEMENT	2.50	2.80	3.80	- 0.60	- 0.40

- *WAST Transition Plan Full Year Impact* – no change from Month 2 comments.
- *Cwm Taf Morgannwg (CTM) SLA Disaggregation (1)* – no change from Month 2 comments.
- *CTM SLA Disaggregation (2)* – no change from Month 3 comments.
- *Service Group Pressures* – In addition to CHC and energy there are increasing pressures linked to (1) premium costs of agency staff and (2) general inflationary pressures in non-pay. Given the operational challenges and in spite of the actions put in place by the CEO as detailed each report within Section 4, the risk has been retained within Table A2.
- *COVID Recovery* – only change is that of the £21.6m the Health Board has committed £11.6m at the end of Month 6. Work on the forecast for the year shows a risk that if all activity planned is delivered there is the potential for a £0.9m over commitment.
- *CHC Growth* – continues to reduce as the year proceeds.
- *SAN Replacement* – this is a new risk which has been flagged due to pressures on capital on the replacement of this key digital kit. The £0.360m reflects the Full Year Cost however this is unlikely to be the actual impact on 2022/23 if we have to fund via Revenue.
- *Energy Funding Assumptions* – no change from Month 3 comments.
- *Covid Transition and Extraordinary Pressures* – no change from Month 2 comments but figures are updated to reflect Month 6 reported position and reflected in the supplementary return. Of note is that the Risk linked to the COVID Transition costs now only reflect the costs for which no funding has been received (please refer to the narrative and table included under section 9 of this report). detailed discussions have commenced with the Finance Delivery Unit (FDU) to further explore the drivers and nature of these costs relating to the ongoing impact of COVID on staff absence and surge capacity in particular.
- *Prescribing* – currently there is no risk reported for Prescribing Growth above plan, but this will continue to be reviewed as the year progresses.

Opportunities;

- *Demand Growth to be reduced by 25% & Slippage on planned investments* – no change from comments made in Month 3 submission.
- *Other Opportunities Slippage* – no change from the comments made in the Month 3 submission.
- *WHSSC (action point 3.4)* – No further updates at the time of writing this report.
- *Underperformance on Services Commissioned by Swansea Bay HB* – no update. Awaiting Q2 data to assess whether any change in assumptions.

4. Monthly Positions (Table B)

At the end of Month 6 the in-month position reported an overspend of £0.691m, taking the YTD position to £3.184m overspent. Detailed below is further information on the variances driving this along with actions being taken to manage the overspend.

Variances

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

- Income = Overachieved in Month
 - As in previous months the R&D income is over achieved in month.
- Pay = Overspent in Month
 - Variable Pay – overall variable pay was broadly in line with Month 5 but within this there were increases in the use of bank and reductions in the use of Agency Non Medical.
 - Underspent in Month – overall pay variance returned to its pre Month 5 levels on being underspent. However, it should be noted that this assumes a certain level of funding linked to the 2022/23 pay award, which is summarised in further detail below. For information it should be noted that these assumptions have had to be used as the pay feeder file for the Health Board did not differentiate general pay arrears to pay arrears related to the 2022/23 pay Award :
 - Medical Staff – used the recurrent budgeted staffing levels (as not all Medical Staff would be on our Staff In Post listing e.g. SLE) and then applied a flat 4.5%. The full year assessment (including ENI of 1.25% for 7 months) provided an anticipated funding figure of £6.5m for 2022/23.
 - A4C/VSM In Post (inc TTP/Mass Vac) – as a minimum all staff received £1,400, with top B6 and B7 being paid 4%. To calculate the impact the Staff In Post list at the end of August 2022 was used. The full year assessment (including ENI of 1.25% for 7 months) provided an anticipated funding figure of £22.7m for 2022/23.
 - A4C/VSM Vacancies – as we used the SIP at the end of August 2022 to calculate the pay award for those in post we also used the Month 5 final ledger position to identify the vacancies (excluding Medical and Dental staff). Applying the same principles as for those A4C Staff in post a further £0.08m (including ENI 1.25% for 7 months) has been included as an anticipated allocation.
 - The overall breakdown is summarised below. Based on the expectations of the national modelling the Health Board is happy to undertake further work or review on the assessed impact.

Type	£'000
A4C In Post 12 Mths	22,694
A4C Vacancies 12 Mths	847
Medical Staff 12 mths	6,408
COVID (TTP/Mass Vac)	266
ENI 7 Mths only	287
Total	30,443

- Non Pay = Overspend in Month

- 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, which reflect +50% of the clinical consumable variance, in month the actual expenditure increased by £0.3m on these two lines.
- There has also been increases in areas such as establishment expenses and Premised & Fixed Plant, across multiple lines, which has not been seen in previous months. The increased variances can be seen on the lines associated with Lease Cars, Legal fees, Stationary, Subscriptions and also on Buildings/Building Contracts. As these are above trend it is assumed at this point spend will return to levels seen in Month 1-5.
- Savings – the key contributor for in month performance remains savings, with in month shortfall on £0.7m. So whilst the Health Board is driving forward the full delivery of the £27m plus additional £2m as detailed in this report, the profiling of savings budget has meant non-delivery remains in Month 6 as reflected in the ledger. Cumulatively this represents £2.9m of the £3.1m YTD overspend.

Within the Month 5 report were the full details of the actions being taken by the Health Board to support the position and the challenges (action point 4.1). The information below only reflects updates to the actions previously reported and is not the full list: -

- **Action:** To mitigate the increased operational pressures all areas (excluding Morrision Service Group) will be required to deliver, a further £2m of savings on a non-recurrent basis. This additional £2m, on top of the £27m, will be transacted through the ledger and the MMR in Month 6.
Update – this has been transacted through the ledger and updates on saving delivery reported in Section 3 and 7 of this report.
- **Action:** As outlined by the CEO the expectation is all savings (£27m+21/22 b/f+£2m) had to be identified by 9th September 2022 (and reported on 13th September 2022) before further actions will be taken by the CEO to ensure delivery.
Update: The CEO met, during September 2022, with 2 service areas (NPTS Service Group and COO Directorate) who had not identified their in-year full savings delivery as required by 13th September 2022. Both areas are undertaking further work to support delivery and will be expected to meet with the CEO to update on progress in October 2022 with significant progress to close the gaps already made.
- **Action:** A further letter will be issued late October 2022, following the mid-year review, confirming the final elements of budget linked to the 2022/23 investment programme as part of the 3-year recovery and sustainability plan. At this point, with the exception of any in year WG funding, the Service Groups and Corporate Directorate will be clear on both their target and funding in which they will need to remain within.
Update: Work is being finalised on the investment programme in the next 2-3 weeks before funding and final letters issued.
- **Action:** Independent, specialist financial improvement support has been identified to assist Morrision Service Group with its financial challenges. This support will commence during the week commencing 12th September 2022.
Update: additional support now in 4th week of delivery and updates will be provided in future reports. The Financial Improvement Plan linked to this support is expected

shorting which will drive the focus and delivery of the Service Group, from a financial perspective, for the remainder of the financial year.

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 5-6 movements
 - Secondary Care Drugs– has reduced in month and reflects NICE costs returning to trend seen in Month 1-4.
 - Pay – Month 6 includes Month 1-5 pay arrears and new monthly pay costs following the 2022/23 Pay Award of £1400 per annum for A4C staff and 4.5% for medical staff.
 - Non Pay – details on increases in spend/variance have been detailed at the bottom of page 4.

- Y/E Forecast Movements
 - Pay – as per comment above
 - Non-Pay – (Action Point 5.2) since Month 3 the forecast costs for non pay have increased month on month to reflect the ongoing increase in the cost of Energy, which was the primary driver for the Month 5 change. However, in Month 6 following the latest British gas forecast, received on 7th October, shows a reduction in the forecast by 47% and has been reflected through the non pay line in Month 6. There are other pressures impacting on Non Pay and these are detailed at the bottom of page 4.

Ring Fenced Supplementary Return (updated Action Point 5.6a)

- COVID Recovery – at the end of Month 6 £11.6m had been allocated to the Service Groups to support Recovery and of the £11.6m, £10.7m has been spent, with the balance of the budget to be committed in future months. The remaining funding will be allocated based on the Health Board's robust plan to support the deliver of activity and the investment required to support a sustainable infrastructure. As noted in section 3 there remains a risk that the Health Board could be over-committed against the funding by £0.9m 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 compiled jointly by the Local Authorities and the Health Board. The RPB continue to work on the commitments to the end of 2022/23.
- Value Based Health Care – no further updates from Month 5 submission.
- Mental Health (SIF) Allocations – updates on commitment made for 2022/23 have been reflected in the Month 6 submission.
- Planned Care - in March 2022 we were informed via an email of £15 million for the Outpatient Transformation programme in 2022/23 across Wales. Initially the assumption was that Health Board share would be £1.959m based on 13.06%. However, the letter from WG dated 28th June confirmed £0.640m. At this point we have assumed the £1.959m in Table E and only £0.640m in the Ring Fenced return but would welcome clarification on the funding so we can adjust the MMR in Month 6 as required.

- VBHC – as outlined in Month 5 return the project lead was on leave until last week in September and so clarification on planned commitment will not be available until Month 7 submission.
- Action Point 5.6b – for Urgent Emergency Care Allocations, Mental Health (SIF) Allocations, Planned Care and Value Based Health Care updates on allocations received and anticipated have been included on the tables.

At the end of Month 6 the Revenue Resource Limit is under-phased by £17.3m, 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 6 is £3.314m, which is 4.8% of the overall pay expenditure and is £0.166m lower than the Month 5 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 – 55%
- Temporary Absence Cover – 24%
- Additional Support to delivery and performance – 12%
- COVID-19 –9%

6. COVID-19 (Table B3)

The total for Table B3 remains at £63.1m, 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.

With the support of the CEO the Health Board has been continually reviewing and challenging the Transition COVID costs, with the next round a meetings schedules for November 2022. For information on the discussions jointly between the HB and the FDU please refer to the Month 5 MMR report.

The forecast on COVID for 2022/23 at Month 6 is provided in the table below:

RRL COVID Allocations	2022/23 Forecast @ Mth 6 £'000
National Programmes: Training	5,600
National Programmes: Testing	2,286
National Programmes: Mass Vaccinations	7,666
National Programmes: PPE (Exc Stores Staff)	4,505
National Programmes: Long COVID	402
National Programmes: Nonsocial	508
COVID Transition Funding Received: 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)	357
COVID Transition: Other	37,582
Total Table B3	63,148

Overall there has been little change between the forecast position submitted in Month 5 and that reported in Month 6 across all areas of COVID.

The anticipated allocations, above the national programmes are recognised as a risk within Table A2 as the Health Board may be required to manage this as part of its wider financial position. This should reconcile to the figure included in Section 9 on COVID. The financial planning assumptions here remain consistent and in line with the advice received in the Chief Executive of NHS Wales' letter of 14th March 2022.

Annual Leave (Actions 4.5):

The table below provides a summary of the Annual Leave accrual at the end of Month 6:

	£m
A/L Opening Balance 1 st April 2022	11.497
Sell Back Payments Month 3	0.748
Sell Back Payments Month 4	0.117
Sell Back Payments Month 5	0.002
Sell Back Payments Month 6	0.001
A/L Closing Balance	10.629

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

A summary of the savings position as reported in w/c 3rd October 2022 is provided in the Table below.

	Mth 1 £M	Mth 2 £M	Mth 3 £M	Mth 4 £M	Mth 5 £M	@ w/c 03/10/22
Target 2022/23	27.0	27.0	27.0	27.0	27.0	29.0
Green & Amber	17.2	18.1	23.1	23.4	24.5	27.7
Red	4.6	4.9	3.1	3.1	3.1	2.7
Total Forecast Delivery	21.8	23.0	26.2	26.5	27.6	30.4
Total Identified	21.8	23.0	27.1	27.4	29.5	32.0
Shortfall in Value to Plan	5.2	4.0	0.1	0.4	2.5	3.0
Shortfall % to Plan	19%	15%	0%	-1%	-9%	-10%

Of note is that since the Month 5 submission of MMR:

- a further £2.5m of savings has been identified and classified as planned (reported in the table above). The HB is monitoring progress on a weekly basis with this focus driving the movement of schemes from red to amber and green, as well as

the identification of further schemes to support operational pressures and sustainability into 2023/24.

- The target has been increased by £2m to reflect as a direct result of the requirement to support the operational pressures seen in the first 3 months of 2022/23 and one of the actions agreed by the CEO and reported in Month 4 MMR submission.

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
DS2316a	Review of VAT recovery on maintenance & support contracts	136	-	The investigation into whether or not VAT is recoverable on the Microsoft contract is being pursued by DHCW centrally (it's a pass through cost from them to us). They are awaiting confirmation from HMRC which is likely to be concluded during November.
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	Expectation that this scheme will turn Green. Nursing variable pay has been increasing in the new year, this is driven by increased sickness, acuity, COVID absence and vacancy. There are monthly rostering meetings across all divisions and a weekly grip and control meeting.
MHLDCIP2313	Reduced cost from improved management of voids	20	20	Expect scheme to turn Green in Q3. We are constantly reviewing those schemes where there is under-occupancy to place new cases.
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.
MORCIP0035	Banding Allowance	60	121	We have commenced a review of banding for all posts and are currently working through all the returns to determine if banding allowance payments will have a net increase/ decrease. Early sample data suggests there is likely to be an increase, but scheme will turn green when med hr colleagues sign off.
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.

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
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
MORCIP0061	Procurement Savings	226	226	As per comment above
MORCIP0062	Procurement Savings	116	116	As per comment above
PCCCIP2379	CES budget recurring realignment	114	114	Community Equipment Scheme, which is delivered with our Local Authorities in partnership under a s33 agreement. Proposal to reduce budget by £200k per year in total (our share is £114k). This has been discussed with Local Authority partners and a positive responses received. Awaiting final formal agreement before turning green.
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.
PCCCIP2394	LAC Health Assessments - LAC	24	48	There is work ongoing to align SBUHB charges with other HBs in Wales.
NPTSCIP2301	General Housekeeping	100	-	The delay in these turning from Amber to Green will be picked up as part of the ongoing challenge made by the PMO and CEO, which is driving the ongoing delivery of schemes.

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'000	Plan FYE (R Schemes) £'000	Overview
				Further update will be provided in Mth 7 as this Service group is under Enhanced Monitoring by the CEO.
NPTSCIP2308	Outpatients	10	10	Expect scheme to turn green in Q3
NPTSCIP2312	Beds - Rehabilitation	857	1,714	Please see comments on scheme NPTSCIP2301
NPTSCIP2314	Childrens bed review	75	150	Please see comments on scheme NPTSCIP2301
NPTSCIP2321	Medical Consultants - Neath	15	120	Please see comments on scheme NPTSCIP2301
NPTSCIP2322	Medical Consultants - MD4 Community Beds	15	120	Please see comments on scheme NPTSCIP2301
NPTSCIP2327	Further reduction in base cost reduction of workforce	1,000	1,000	Please see comments on scheme NPTSCIP2301
NPTSCIP2350	Beds - Rehabilitation non pay	40	79	Please see comments on scheme NPTSCIP2301
	Total	4,249	5,869	

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. This is now broken down into 3 sections; the national programmes, COVID transition for which funding has been received and COVID Transition for which no funding has been received (which is also reflected as a Risk in Table A2):

RRL COVID Allocations	2022/23 Forecast @ mth 6 £'000	Total By Type £'000
National Programmes: Tracing	5,600	20,967
National Programmes: Testing	2,286	
National Programmes: Mass Vaccinations	7,666	
National Programmes: PPE (Exc Stores Staff)	4,505	
National Programmes: Long COVID	402	
National Programmes: Nonsocomial	508	
COVID Transition Funding Received: Extended Flu Funded to Date	918	2,336
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418	39,845
COVID Transition: Cleaning Standards	1,906	
COVID Transition: Dental Income Shortfall (Balance)	357	
COVID Transition: Other	37,582	
Total Table B3	63,148	63,148

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

Extraordinary Items	2022/23 Forecast @ Mth 6
	£'000
NI Health & Social Care Levy #	4,042
RLW (Care Homes Only)	2,042
Energy Costs (inc Non BG items)	12,044
TOTAL ALLOCATION	18,128

- this only includes 7/12th of the original value and not the element which will be applicable linked to the new pay award

The basis of these values are as follows: -

- NI = only assumes 7 months of costs following confirmation that 1.25% Levy will cease at start on November 2022. There is a further NI cost linked to the Pay Award which has been excluded from this figure but detailed in section 4 above.
- RLW = this has increased slightly again linked to ongoing work undertaken in MH/LD on the cost of packages of care.
- Energy = This has been updated to reflect the latest forecast from British Gas issued on 7th October and sees an overall 47% reduction on the forecast from £33.6m to £17.7m. For those elements such as PFI and primary care premises we have also assumed a 47% reduction in the forecast costs.

The Health Board is starting to incur costs linked to Ukrainian Humanitarian Partnership Response. At the end of Month 6 the total spend is only £0.007m, whilst we have been told not to anticipate funding this is the start of the costs as the Welcome Centre established by the Local Authority following direct funding from WG will lead to additional NHS costs and so the Health Board will continue to add as a funding request.

Due to a limitation on the number of lines within Table E, a number of Anticipated Allocations have been grouped together. The detail is shown below:

		HCHS	Pharmacy	Dental	GMS	Total Revenue Resource Limit	Total Revenue Drawing Limit
		£'000	£'000	£'000	£'000	£'000	£'000
Our Ref	2. ANTICIPATED ALLOCATIONS						
57a	Improving Lives Programme - Additional	50				50	50
57b	Community Pharmacy - Additional Funding	-	374			374	374
57c	Pay Award - Medical and Dental	6,408				6,408	6,408
57d	Additional Bank Holiday	300				300	300
57e	Pay Award	23,482				23,482	23,482
57f	Additional MHSIF - Based on Activity	791				791	791
57g							
57h							
Total		31,031	374	-	-	31,405	31,405

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 £10.081m at the end of August 2022 to £10.660m, an increase of £0.579m. The increase mainly relates to drugs stocks across all hospital sites.

There has been an increase of £21.303m in trade receivables from £221.592m at the end of August 2022 to £242.895m at the end of September 2022, comprising an increase of £17m for NHS Debtors, and an increase in the Welsh Risk Pool debtor of £4.213m.

The closing August 2022 cash balance of £2.444m is in line with Welsh Governments 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 an increase from £238.206m at the end of August 2022 to £253.657m at the end of September 2022, of £15.451m, comprising an increase in Tax and Social Security of £7.061m, and revenue creditors of £5.566m.

Provisions increased by £7.863m from £153.898m at the end of August 2022 to £161.761m at the end of September 2022. This increase relates to Clinical Negligence and Redress provisions, and Clinical Negligence defence fees.

11. Cash Flow Forecast (Table G)

As at the end of September 2022, the Health Board had a cash balance of £2.444m which is slightly above the planned month end cash balance of between £1m and £2m.

The current cash forecast in Table G is predicated on the forecast year end break even position and the current assessment of the impact of any movement in working capital balances on the cash position. This forecast indicates a small cash surplus as detailed in the table below. However, this position assumes all allocations detailed in Table E, including extraordinary pressures and COVID response are received and any variance from this assumption would impact on the cash forecast.

	£000
Forecast I&E Breakeven position	0
Movement in Revenue Working Balances	2,352
Movement in Capital Working Balances	(21,005)
Temporary Working Capital cash provided in CRL	15,000
Opening Cash Balance	4,398
Forecast Cash Surplus	745

The biggest cash issue is the significant forecast reduction in capital creditors of £21.055m. The Health Board welcomes the initial temporary increase of £15m to the CRL in respect of the movement in capital working balances which will assist in managing the cash position. However, even with this temporary increase all available capital cash will need to be drawn down by December 2022 to meet the clearance of the closing 2021/22 capital creditors. Without the ability to draw down any further capital working capital cash

at that stage then revenue cash will need to be drawn down for February 2023 in order to meet ongoing capital cash payments. Therefore in addition to the £15m of cash already provided a further £6.005m in capital related working capital cash is required to be added to the CRL.

Currently we do not anticipate requiring any working capital cash support for movement in revenue working capital balances, however that is predicated on receipt of all anticipated cash allocations detailed in Table E. In the event that any cash allocations are required to be returned to Welsh Government as result of the potential reduction in the annual leave accrual then it is likely that we will require revenue working capital cash support.

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 missed the 95% PSPP target for Quarter 2 with compliance being 94.83% for non NHS and 89.2% for NHS for the Quarter.

Cumulative compliance is still above 95% at 95.3% and the issue in Quarter 2 has been delays in nurse agency invoices being paid due to the increase in the number of invoices for shifts worked.

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)

The forecast outturn shows an overspend position of £2.227m. Although allocations are anticipated on the following schemes which will provide a balanced position, the impact of the reductions to the discretionary capital funding this year are now starting to emerge. The pressure to retain a balanced capital position is becoming fragile as there is very little remaining flexibility in the programme to manage emerging service and infrastructure risks. Along with uncertainty around the timing of funding support being made available by Welsh Government to support the assumed income for business case fees, the risk of the plan shifting from balance to imbalance is now material with little mitigating options available to the Health Board to avoid this.

Scheme	£m / Risk Level	Narrative
Business Case Fees	0.771 / Medium	Funding anticipated from WG.
Field Hospital Decommissioning	0.400 / Low	Funding approved by WG. Awaiting CRL uplift.
WICIS	0.027 / Medium	Funding anticipated from WG.
City Deal – Morryston Access Road Design	0.969 / Medium	Funding anticipated from City Deal.
Eye Care - Open Eyes Ophthalmology System	0.061 / Medium	Funding anticipated from WG.

No Capital schemes are highlighted as high or medium risk this month. All other schemes on the Capital Programme are categorised as low risk and any variances are linked to planned contributions from discretionary.

There are planned equipment transfers in relation to Ultrasounds purchased in 2021/22 with expected income of £1.998m. The reported forecast outturn position assumes that the £1.998m income will be received through transfers agreed with NHS Wales organisations, this is reported as a medium risk.

With reference to Table J – In Year Capital scheme profiles and the error currently showing within the Month 6 submission. Within the reply letter dated 30th September 2022, it was noted that we needed to treat the ultrasound equipment as an asset disposal (£1.998m). As requested, this is now being shown within the Other Schemes section of the MMR. This is however showing a validation error within the submission.

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 June. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £536,469 at the end of September 2022 (August 2022 - £243k) with the number of invoices in this category decreasing to 24 (compared to 41 in August 2022) to at the end of September 2022.

Of the 24 outstanding invoices between 11 and 17 weeks old, 1 invoice have been paid since the end of September 2022. Of those still outstanding:

- 7 relate to Cardiff & Vale Health Board, 5 of which in relation to staff recharge costs, with another relating to Pancreatic Surgery recharges.
- 2 relate to Digital Health Care Wales in relation to the Digital Priorities Investment Funding for Welsh Nursing Care Record 2022-23, and Commercial Agreements;
- 2 relate to Powys Local Health Board in relation to Looked After Children and Medicago R&D and
- 4 with Welsh Government, which relate to staff recharges.

One invoice in particular which is outstanding with Welsh Government and was agreed at year end amounts to £3.006m. The continued non-payment of this invoice is causing the health board to have to draw down additional cash. We have been working through requirements internally, to allow WG to make payment of the outstanding invoice.

15. Ring Fenced Allocations (Tables N & O)

Table N & O have been completed for Quarter 2 as required. GMS is currently forecast to underspend by £0.939m and Dental are currently forecast to overspend of £0.301m.

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 25th October 2022.

Yours sincerely,



.....
DARREN GRIFFITHS
DIRECTOR OF FINANCE



.....
RICHARD EVANS
DEPUTY CHIEF EXECUTIVE

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

