GIG CYMRU NHS WALES
Bwrdd Iechyd Prifysgol Bae Abertawe
Swansea Bay University Health Board

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Dyddiad/Date: 12th August 2021

Mrs Andrea Hughes
HSSDG – Head of NHS Financial Management
Welsh Government
Sarn Mynach
Llandudno Junction
Conwy, LL31 9RZ

Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 31st July 2021

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 31st July 2021. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your email of 22nd July 2021.

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

The Health Board has developed and submitted a draft annual plan within which the financial plan results in an anticipated deficit of £42.077m before the inclusion of COVID income and expenditure. The COVID expenditure is assumed to be matched by income. In addition, the Health Board has been advised to anticipate non-recurrent income to support the 20/21 savings impact. This reduces the 2021/22 forecast to £24.405m.

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

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

The Health Board opening position includes identified forecast savings delivery including income generation and accountancy gains of £26.1m against the initial financial plan savings requirement of £27.7m. The Health Board also has a further pipeline of schemes currently assessed as red,

which are being further developed and tested. The delivery trajectories for these schemes is low, however they are key to supporting the recurrent underlying position of the Health Board.

The Health Board has estimated costs of £101m in relation to the ongoing impacts of the pandemic on service delivery and the initial phase of service reset and recovery. This includes direct COVID impacts such as TTP and Vaccination as well broader service implications. It is anticipated that these costs will be supported by additional funding allocations. The assessed costs are subject to change as guidance and modelling evolve over forthcoming months.

The Health Board will be submitting further recovery plans to Welsh Government.

2. Risks (Table A2)

The Health Board continuously reviews the keys risks and opportunities and some amendments have been made this month.

The risks and opportunities associated with the service and financial impact of COVID demand volatility have been removed from the table. This reflects the current expectation that costs will be matched with funding allocations and would not impact on the Health Board financial position positively or negatively.

The following risks and opportunities are not currently included in the forecast position and are not quantified in Table B:

Risk	Mitigation
Efficiency opportunities not able to be delivered fully in one year	• Drive for greater level of transactional savings whilst the efficiency opportunities are being further developed, planned and delivered. The non-recurrent opportunities and slippage potential, would also support any delay in realising these efficiency opportunities.
LTA/SLA performance risk if they "go live" without renegotiation	• This now appears to be unlikely as the recommendation of the group established by DOFs is that the current block arrangements should remain in place for the whole of the financial year. However no formal agreement has been communicated.
Brexit impact on workforce availability and costs	• This is being monitored closely and is expected to be able to be further reduced over forthcoming months, although workforce sustainability is a key risk for the Health Board from both a service and financial perspective

Opportunities
Increased level of non-recurrent opportunities
Slippage against internal and external investment plans

In addition to the risks and opportunities quantified in table B3, there are three further emerging risks that need to be highlighted.

- A review of payment terms for staff supporting recovery work is underway nationally, this would impact on the Health Board cost base and the ability to deliver within the Tranche 1 Recovery funding allocated:
- COVID expenditure has been included as a full year assessment, which has been offset with anticipated funding allocations. This poses two risks, firstly the costs are volatile and the assessment of costs has been based on broad assumptions which need to be further tested and

secondly, the allocation of further funding will be dependent on funding made available to Wales and the decision of the incoming new Assembly Government.

- The Health Board has submitted a plan to support Paediatric RSV to WG, the costs of implementing this plan have not been included within the forecast and the Health Board current planning assumption is that any costs would be supported with funding. This is subject to a WG table top review exercise later this month and the plans assessed as part of that review.

It is assumed that the difference between the 3% wage award cost and the 1% planned wage award will be funded and this has been included in the anticipated allocations. There is a similar assumption regarding the annual leave holiday pay agreement and any additional retrospective and prospective costs associated with that agreement.

3. Monthly Positions (Table B)

The Month 4 reported position is an in-month overspend of £1.972m and a cumulative overspend of £8.054m.

Based on the initial plan deficit, an overspend of £8.135m would have been expected.

The actual expenditure for month 4 was £2.8m lower than forecast. The key difference is in joint financing where ICF and other LA costs are becoming agreed later than planned.

At the end of Month 4 the Revenue Resource Limit is under-phased by £29m, the reasons for this can broadly be described as follows:

- ICF expenditure expected later in the year
- NICE drugs expected growth
- Primary Care costs
- Pay reserves
- CHC expected growth and inflation
- Commissioner contracts
- COVID costs
- Extended Flu
- Long COVID
- Reinvestments to support efficiencies

The Month 4 position saw an improving position on workforce pressures. ChC growth continues to be a pressure area, both within Mental Health and Learning Disabilities and also in General ChC where growth is now also starting to be experienced. The plan allows for growth, however mitigating opportunities have been developed to support the management of this growth.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 4 is £2.541m, which is 4.8% of the overall pay expenditure and is £1.211m higher than the same period in 2020/21.

The key reasons for Agency expenditure in month are set out in the bullets below. It must be highlighted that due to changes in reporting requirements the robustness of this analysis may not been as granular as in previous submissions.

- Vacancy Cover – 52.2%
- Temporary Absence Cover – 9.6%
- Additional Support to delivery and performance – 16.2%
- COVID-19 – 22%

5. COVID-19 (Table B3)

The financial forecast for the 2021/22 financial year has been estimated as £102.8m. This has increased from the estimated position in Month 2 due to the inclusion of additional allocations for the fluenz vaccine and Long COVID, increased assessments of pay and non-pay, change in the treatment of dental income loss and increased forecast expenditure for Trace. Further work is being undertaken to assess and forecast the ongoing costs, however due to a range of variables such as policy on isolation, disease prevalence, workforce availability, development of essential services and field hospital utilisation, the forecast is subject to change, particularly the assumptions for the second half of the financial year.

The £101.8m assessed cost covers the key expenditure areas:

- Contact Tracing £12.5m – the service modelling currently reflects the anticipated position for the first two quarters of the financial year. Given the reducing level of disease prevalence and positive testing is the final two quarters capacity has been assessed as 50% of current capacity. This will be reviewed over forthcoming months.
- Testing £2.8m – the same assumption has been applied to testing as for tracing.
- Vaccination £13.3m – the core vaccination plan is expected to be delivered by the end of Q2; the assessment anticipates a lower capacity requirement for Q3 and Q4 to support potential booster vaccination provision and any catch up requirement.
- Extended Flu £1.2m – this reflects the assessed costs of providing the flu vaccination to an extended cohort of the population including secondary school children.
- Cleaning Standards £2.3m – this reflects the enhanced cleaning standards provision and is expected to be a recurrent impact.
- Care Home Support £3m – this reflects the additional funding provided to Care Homes via Health Boards. This assessment is a full year impact, which is dependent on WG guidance and agreements.
- Other COVID costs £69m – this includes: -
    - PPE £5.1m – this is higher than the NWSSP assessed figures but reflects the Health Board assessment based on current usage and the potential for increased usage during a third wave and winter period;
    - Care Homes £3m – this assumes additional fee will be payable for the whole year. To date this has only been confirmed until September, with tapering arrangements post this date. The assessment will be refined once the tapering arrangements are confirmed;
    - Recovery Phase 1 £16.2m – this is also shown separately on the supplementary template;
    - Sustainability – this covers a wide range of costs including covering staff who are shielding, self-isolating or unable to work in their substantive roles, loss of income including dental income, costs of additional capacity and service models changes to maintain clear separation of patients, increased utilities related to maintaining air flow and primary care drugs impacts.

The Health Board is continuing to review the bed capacity modelling in light of a potential third wave. The current demands on services are high, however given the Health Board's bed utilisation plans the Most Likely Scenario should be able to be accommodated within physical hospital bed base and within sustainability funding assessment.

The Health Board has developed a range of further opportunities to support service recovery, through development of additional capacity, increased utilisation of existing capacity, development of longer term sustainable service and workforce models and deployment of outsourcing and insourced capacity. No further recovery resources will be committed without WG approval.

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

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

To date the Health Board plan has identified £26.240m of savings that have been assessed as green or amber. This includes £0.492m of income generation.

In addition to the green and amber schemes, there are further red schemes that are being developed. Whilst these are unlikely to yield significant savings in 2021/22 their development and implementation will be crucial to maintain the Health Board's recurrent underlying deficit.

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

7. Welsh NHS Assumptions (Table D)

Table D sets out the income and expenditure assumptions with other Health Boards. The figures are broadly based on the year end TMS values, however some have been updated to reflect 2021/22 LTA contract values.

All LTA and SLA documentation has been agreed and signed.

8. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

Funding has been anticipated for the UEC priority schemes based on costs incurred and expected in the first two quarters based on current service models. Proposals to expand these service models have been submitted and are awaiting approval.

9. Statement of Financial Position (Table F)

The key issues in respect of the statement of financial position movements are as follows:

The inventory value has reduced from £9.610m at the end of June to £9.467m as at the end of July, a reduction of £0.143m. The reduction relates to drugs stocks at Morriston and Singleton Hospitals.

There has been a reduction in trade receivables from £190.285m at the end of June to £182.844m at the end of July, a reduction of £7.441m. The main movement is a reduction in income accruals for anticipated allocations of £9.130m, offset by an increase of £0.996m in the VAT debtor with the final deadline for VAT claims being 31st July, together with smaller increases in trade and NHS receivables.

The closing July 2021 cash balance was £6.787m slightly above the Welsh Government best practice cash target for the health board of £6m. The high cash balance was due to lower than anticipated primary care payments during the last week of the month as well as lower than forecast AP payments due to the OCR scanning backlog.

The trade and other payables figure saw an increase from £223.032m at the end of June to £225.612m at the end of July. The increase was due to an increase in both NHS and trade accruals linked to the OCR scanning backlog in Accounts Payable.

Provisions reduced from £150.537m as at the end of June to £144.689m at the end of July. The reduction was due to a large £5m clinical negligence settlement made in July against an existing provision.

The forecast year-end balance sheet represents an early best estimate of the likely year-end position at this point in time. This forecast will be reviewed in future months as the movement in working balances becomes clearer.

10. Cash Flow Forecast (Table G)

As at the end of July, the Health Board had a cash balance of £6.787m. This balance is slightly above the WG best practice figure of £6m due to lower than anticipated primary care payments during the last week of the month as well as lower than forecast AP payments due to the OCR scanning backlog.

Based on the latest projected receipts and payments, a cash deficit of £18.891m is forecast at year end, this forecast being predicated on the forecast year end deficit, receipt of all anticipated allocations as detailed in table E and an early assessment of the impact of any movement in working capital balances on the cash position. The analysis of the forecast cash position is shown in the table below:

	Revenue	Capital	Total
	£m	£m	£m
Forecast Deficit as per SoCNE	-24,405		-24,405
Movement in Revenue working balances	11,520		11,520
Reduction in capital creditors		-7,276	-7,276
Opening Cash balance	-4,167	5,437	1,270
Forecast Position	-17,052	**-1,839**	**-18,891**

As can be noted from the table above at the end of the 2020/21 financial year, capital cash was utilised to pay revenue invoices as although the majority of capital goods that were expected to be received before year end were received, a number of them were received on the last two working days of the financial year, meaning that the invoices could not be processed before year end. On 30th and 31st March, therefore CHAPS payments were processed for revenue invoices in order to reduce the year end cash balance to within the local target of between £1m and £2m. This capital cash will need to be repaid by revenue during the 2021/22 financial year. From August the amount of capital cash drawn down each month will be reduced to below the expected capital cash payments to enable capital to be reimbursed from revenue.

The cash flow is updated daily and the forecast cash position will move during the year as the receipts and payments trend becomes clearer.

11. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table for month 4.

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

The forecast outturn shows an overspend position of £5.702m. Allocations are anticipated from WG which will neutralise this position.

Areas contributing to this overspend position have been highlighted within the table below and are classified as high risk:

Scheme	£m / Risk Level	Narrative
Linacc C	4.043 / High	Funding anticipated from WG.
Business Case Fees	1.589 / High	Funding anticipated from WG.

Scheme	£m / Risk Level	Narrative
Open Eyes Ophthalmology	0.070 / High	Funding anticipated from WG.

Schemes classed as medium risk are:

Scheme	£m / Risk Level	Narrative
Anti-Ligature	-1.000 / Medium	Currently working through contractual issues. Early indications that the schemes may slip.
Singleton Cladding	-0.300 / Medium	Early indication that the scheme may slip.

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

13. Capital Disposals (Table K)

There are a number of planned property disposals with expected sale proceeds of £0.552m. All of the property disposals have received Ministerial approval to proceed.

14. Aged Welsh NHS Debtors (Table M)

Table M lists all Welsh NHS invoices outstanding for more than 11 weeks as at the end of July. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £49k at the end of July 2021 (June 2021 - £19k), with the number of invoices in this category increasing significantly from 8 at the end of June to 26 at the end of July with particular issues in respect of pharmacy invoices to Aneurin Bevan and BCU Health Boards. Of the outstanding invoices between 11 and 17 weeks old, 4 have been paid since the end of July.

There is one invoice to Welsh Government outstanding for more than 17 weeks at the end of July 2021.This invoice was agreed for payment as part of the year end agreement of balances process and we are aware of no disputes with this invoice. Any help you can provide in getting this invoice paid would be much appreciated.

15. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables for Month 4. A balanced position is currently anticipated on all ring-fenced allocations.

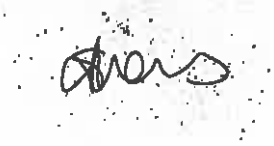
The financial information reported in these Monitoring Returns reflects those reported to the Health Board.

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

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

These Monitoring Returns will be circulated to the membership of the received by the Health Board's Performance and Finance Committee on 24th August 2021.

Yours sincerely,



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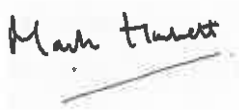
SAMANTHA LEWIS
DEPUTY DIRECTOR OF FINANCE



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MARK HACKETT
CHIEF EXECUTIVE

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