

Dyddiad/Date: 11th December 2020

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

Dear Andrea,

**SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 30th NOVEMBER 2020**

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 30<sup>th</sup> November 2020. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 26<sup>th</sup> November 2020.

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

The Health Board has developed and submitted a three-year plan within which the Year 1 financial plan results in an anticipated deficit of £24.4m.

	£m
2019/20 Underlying Carry Forward Deficit	(28.0)
<b>2020/21</b>	
Service Costs	(41.4)
Savings	22.8
WG Allocation Uplifts	21.6
Income Benefits	0.4
Income Generation	0.2
<b>Forecast Plan Deficit</b>	<b>(24.4)</b>

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

The Health Board commenced the financial year with an identified savings shortfall of £10m. The delivery opportunities for this remaining £10m have been identified and assessed building on the work undertaken with KPMG, however the plans were not developed enough to be considered green or amber upon submission of the plan and further progress has been hampered by the COVID-19 pandemic, however some delivery has subsequently been reported.

The Health Board plan has been significantly impacted on by the COVID-19 pandemic, in terms of significant additional costs, loss of income, reductions in other planned activities, savings delivery and slippage on planned investments.

The Health Board revised forecast reflects the Q3/Q4 modelled planning assumptions for service and workforce. The forecast includes the Welsh Government (WG) allocation as notified within the Q3/Q4 operating framework and assumes funding in respect of national allocations.

The Health Board forecast has been revised from £25.431m in Month 7 to £24.405m in Month 8 reflecting a reduction in anticipated TAVI costs and slippage on a number of investments. This forecast now reflects the initial planned deficit position of the Health Board. The Health Board will be endeavouring to manage any further opportunities and risks within this forecast position.

The income assumptions and the current phasing of the income are set out below:

<b>Allocation</b>	<b>YTD</b>	<b>M09</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>	<b>£m</b>
Field hospitals/surge	29.803	2.526	0	0	3.000	35.329
Workforce funding	6.831	0	0	0	0	6.831
ChC social care costs	1.242	1.663	0	0	0	2.905
Track & Trace	2.567	1.501	1.503	1.499	1.502	8.572
Optimising flows	0.356	0.838	0	0	0	1.194
Easter B/H working	0.213	0	0	0	0	0.213
MHSIF	0.451	0	0	0	0	0.451
PPE	5.285	0.750	0.750	0.750	0.750	8.285
Urgent Primary Care	0	0.071	0.071	0.071	0.070	0.283
Recovery & Assess	0	0.325	0.324	0.324	0.324	1.297
Winter Funding	0	0.518	0.519	0.519	0.519	2.075
Independent Sector	0.400	0.100	0.100	0.100	0.100	0.800
Flu Vaccination	0.227	1.141	0.206	0.206	0.206	1.986
Voluntary Sector MH	0	0.050	0.050	0.050	0.050	0.200
Mass Vaccination		0.466	0.744	0.237	0.252	1.699
Annual Leave	0	0	0	0	7.100	7.100
General Allocation	27.635	6.385	4.925	4.712	4.543	48.200
<b>Total</b>	<b>75.010</b>	<b>16.334</b>	<b>9.192</b>	<b>8.468</b>	<b>18.416</b>	<b>127.420</b>

## **2. Underlying Position (Table A1)**

The underlying position reported of £42m reflects an initial deficit plan of £24m plus £18m savings non-delivery.

### **3. Risks (Table A2)**

The Health Board included key risks and opportunities within its plan submission these are regularly reviewed and opportunities considered to mitigate where possible.

All of the risks and opportunities, with the exception of the non-delivery on amber savings schemes have been removed in the month 8 table following discussions with Welsh Government which have clarified handling of key risk assumptions. In addition, the Health Board has identified mitigating actions to manage the local risks and this has supported the revised position this month. Whilst the Health Board is still managing risks and seeking further opportunities these will be managed internally with only significant changes reported on Table A2.

The forecast includes the assessed costs of the mass COVID-19 vaccination campaign and anticipated funding has been included on Table E.

### **4. Monthly Positions (Table B)**

The Month 8 cumulative reported position is an overspend of £16.736m.

Based on the initial plan, a cumulative overspend of £16.270m would have been expected. The key driver of the excess overspend is the additional costs of TAVI, which WHSSC have now confirmed as a provider issue.

The COVID-19 cumulative net impact to the end of November 2020 has been assessed as £75.010m. This is made up of additional costs associated with COVID-19, loss of income, offset by savings in expenditure, impact on savings delivery and impact on planned investments. Against this, allocations of £75.010m have been received or assumed up to the end of month 8, giving a year to date breakeven position and a year-end forecast deficit of £0.047m.

The operational deficit at month 8 is £0.466m with a year-end forecast surplus of £0.047m anticipated which negates the COVID-19 deficit.

At the end of Month 8 the Revenue Resource Limit is under-phased by £30.3m, the reasons for this can broadly be described as follows:

- Field Hospital costs £6.3m
- Additional staff costs £2.3m
- ICF expenditure expected later in the year (£6.2m)
- NICE drugs expected growth (£2.1m)
- Pay reserves (£0.4m)
- Non pay reserves (£4.8m)
- Capacity (£3.8m)
- CHC expected growth (£2.6m)
- Commissioner contracts (£1.5m)
- Risk pool liability (£1.5m)
- Transformation & innovation future costs (£2.3m)
- Primary Care costs (£4.8m)
- Track & trace costs £(3.1m)

- Annual leave accrual £(4.7m)
- Mass Vaccination £(1.1m)

Whilst these are assumed to be fully committed, each area is being reassessed to ensure that opportunities to support the current Health Board position are being maximised.

The overall expenditure incurred in November was £9.7m lower than forecast, with the most significant differences in the following areas:

- Primary Care Contractor £1.1m – extended flu vaccination costs now expected in December.
- Provider Services Pay £1.6m – lower than anticipated agency costs due to availability issues.
- Provider Services Non Pay £1.0m – the majority of these costs have been moved to December as they represent the decommissioning costs for the Llandary field hospital which are still due.
- Secondary Care Drugs £0.9m – NICE drug expenditure continues to be at a lower than expected value.
- Continuing Care and Funded Nursing Care £1.2m – Adult social care support costs now assumed in December.
- Joint Financing and Other £2.7m – Final field hospital set up costs and optimising flows funding due to Local Authorities, the expenditure is now assumed in December.
- Losses, special payments and irrecoverable debts £0.7m – costs expected to arise later in the year.

There has also been some movement in the forecast annual expenditure:

- Primary Care Contractor increase £0.6m – GMS pay and expenses inflation.
- Provided Services Pay increase £5.9m – to reflect the reduction in November agency expenditure, the estimated annual leave provision of £7.1m and mass vaccination pay costs of £0.9m.
- Provided Services Non Pay increase £1.8m – pension final charges, mass vaccination set up costs and year end spend assessment.
- Secondary Care Drugs reduction £0.9m – November costs below forecast.
- Healthcare Services Provided by Other NHS Bodies increase £0.8m – WHSSC Vertex funding.
- Joint Financing and Other £0.8m – increased Local Authority tracing cost estimates.

## **5. Pay & Agency Expenditure (Table B2)**

The Health Board Agency expenditure for Month 8 is £1.811m, which is 3.6% of the overall pay expenditure and is £0.198m less than the same period in 2019/20.

It was anticipated that there would be a significant increase in the level of agency spend in November 2020, this has not materialised primarily due to a limited supply of available staff. The agency expenditure is still expected to increase in coming months as the service demand and substantive staff unavailability increases. The Health Board is however aware of the supply limits.

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, the COVID impact is particularly difficult to assess from the booking systems and only reflects the cover of COVID related absence not the additional capacity requirements as a result of the pandemic. We are further reviewing this information to improve the analysis.

- Vacancy Cover – 57%
- Temporary Absence Cover – 10%
- Additional Support to delivery and performance – 22%
- COVID-19 – 11%

Table B2 has also been updated this month to include £7.1m estimated additional costs in March to account for an increased annual leave accrual. This has been pro-rated across all staff groups.

## 6. COVID-19 (Table B3)

The COVID-19 impact for November 2020 has been assessed as £6.197m. This is made up as follows:

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Cumulative
	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Impact on Savings Delivery	1.749	1.480	1.318	1.321	1.310	1.394	1.364	1.310	11.24
COVID-19 Gross Costs	3.176	8.709	27.099	12.273	5.755	5.972	7.111	6.294	76.38
COVID-19 Cost Reductions	-1.179	-1.589	-1.840	-1.169	-1.035	-0.852	-0.642	-0.735	-9.04
Slippage on Planned Investments	-0.408	-0.408	-0.920	-0.355	-0.250	-0.450	-0.099	-0.672	-3.56
<b>TOTAL COVID-19 IMPACT</b>	<b>3.338</b>	<b>8.192</b>	<b>25.657</b>	<b>12.070</b>	<b>5.780</b>	<b>6.064</b>	<b>7.734</b>	<b>6.197</b>	<b>75.03</b>

The Month 8 actual costs are significantly lower than the £13.839m forecast. The key differences relate to the field hospital set up costs, field hospital consequential costs, decommissioning costs for Llandarcy, optimising flows expenditure and additional costs of adult care homes not being incurred in Month 8, these are still anticipated to be incurred later in the year. The Health Board will review its position in respect of decommissioning Bay Field Hospital (which will contain the mass vaccination centre for the Health Board) over the coming weeks and the position will be updated for the month 9 monitoring return. Consideration is always being made at this time of the potential flexible use of Tawe and Enfys wards at Morriston Hospital for which provision to decommission is currently within the forecast outturn.

The financial forecast for COVID-19 for the 2020/21 financial year has been assessed as £127.467m which is an increase of £8.541m on last month, against anticipated funding of £127.420m. The increased forecast relates entirely to additional Local Authority tracing costs offset by lower than expected field hospital running costs, the addition of £7.1m anticipated annual leave costs and £1.699m for the mass vaccination programme. It should be highlighted that 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 remains subject to the potential for change, however these are planned to be managed within the overall forecast and income assumptions.

The COVID forecast now includes the costs of

- PPE – increased forecast due to increasing costs from NWSSP
- Field Hospital – change to planned usage as a result of modelling
- Internal Surge Capacity – costs and assumptions for use of internal surge
- Extended Flu Campaign – costs and assumptions for extended flu included in forecast
- Winter Plan Priorities – based on the 4 key priorities
- Essential Services – the impact of delivering and maintaining essential services
- Digital Service impacts
- Looked After Children
- Additional Annual Leave Accrual
- Mass Vaccination Programme

It should be noted that the contact tracing forecast included in table B3 is below that maximum allocation and this has currently been adjusted through the anticipated allocations, so no benefit has been taken in the current reported position or included in the overall forecast as it is assumed that funding will match costs incurred. Clearly if the levels of infection continue to escalate the tracing cost forecast may also increase.

The estimated costs of the extended flu vaccination programme amounting to £1.986m have been included in Table B. Costs of £0.227m have been incurred to date and the phasing of costs is 59% GMS, 39% primary care drugs and 2% pay expenditure each month.

The forecast has been amended this month to include the assessed costs of providing a COVID-19 mass vaccination plan. This initial assessment includes assumptions around the deployment of staff to support the vaccination programme, however given the scale of the operational pressures this deployment may result in increasing costs elsewhere, including the potential use of enhanced pay rates and increased use of contingent labour, however this will be dependent on workforce supply. The Health Board has assessed its options for the management and delivery of this programme and plans to utilise existing spare capacity at the Bay Field Hospital to establish the main mass vaccination site and key hub for booking of citizens and storage and distribution of the vaccine. In utilising the Bay Field Hospital as the mass vaccination centre, this potentially moves the cost of decommissioning the hospital into 2021/22 thereby avoiding decommissioning costs in 2020/21, but importantly this then releases the funding set aside for this in 2020/21. At the moment the decommissioning costs have still been included in Table B3 with the associated expected income in Table E.

The forecast also includes an initial estimate of the potential increase in annual leave accrual due to anticipated higher levels of untaken annual leave at the end of the financial year, due to the exceptional operational pressures experienced during 2020/21. The current estimate assumes all staff have 5 days of untaken annual leave at the end of the financial year and that this has been pro-rated across all staff groups. This is unlikely to be the case, however for some staff groups and services the level of undertaken annual leave may be in excess of 5 days and the position on planned leave over the winter period may also be impacted. It will be difficult to assess with accuracy the impact on front-line operational staff until much closer to the end of the financial year given the unprecedented pressures.

Following discussions with Welsh Government colleagues £1.790m internal surge capacity funding has been removed from Table A previously committed contingencies and

reserves and set against the COVID-19 costs on Table B3 as all surge capacity costs are now being reported here.

A financial framework has been developed and is under routine scrutiny and refinement based on the movement in the care system across the Health Board. The commitments within this plan are also under routine review to ensure that the Board retains its commitment to work in the public interest and also that due diligence and value for money are observed and enacted.

As our financial approach matures we will be considering the further opportunities to support the care requirements of our population in the presence of COVID-19, maintain good governance and deliver clarity of analysis to support the best decision making we can in the dynamic environment. By working in this way we intend to maintain absolute transparency in our financial forecasts and to engage fully with Welsh Government colleagues on the resource handling at this unprecedented time.

#### **7. Savings Schemes C, C1 & C2**

The Health Board financial plan identified a £23m savings requirement for 2020/21 to support the delivery of the £24.4m deficit financial plan.

The Health Board commenced the financial year with an identified savings shortfall of £10m. The delivery opportunities for this remaining £10m has been identified and assessed building on the work undertaken with KPMG, however the plans were not developed enough to be considered green or amber upon submission of the plan.

The initial response to COVID-19 and the planning for essential services and a further potential wave has required all management capacity and focus and this has resulted in progress on savings being halted, which has impacted both on the delivery of the Green and Amber schemes and also in the development of the further schemes.

The savings delivery to Month 8 is £3.891m against a planned delivery of £13.823m. The impact of non-delivery of savings to Month 8 is therefore £9.932m. We will aim to manage the impact of any further slippage on savings within the current forecast.

#### **8. 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 2020/21 LTA contract values.

All LTAs were signed off by the end of March 2020 with the exception of Powys. The provider and commissioner LTA's with Powys have now also been signed.

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

Table E provides the allocations anticipated by the Health Board.

## **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 £9.451m at the end of October to £9.636m at the end of November, an increase of £0.185m. The increase is primarily due to increases in drugs stocks of £0.062m, and in blood products stock of £0.096m.
- There was an increase in trade receivables from £174.858m at the end of October to £181.596m at the end of November, an increase of £6.738m. The increase is primarily due to the income accrual in respect of anticipated allocations from Welsh Government. As mentioned in October, the Welsh Risk Pool debtor remains high as a result of result of two large claims submitted to Welsh Risk Pool having not yet been reimbursed. This is due to delays at Welsh Government in reviewing the learning from these claims which prevents them being submitted for reimbursement to the Welsh Risk Pool Committee.
- The closing November cash balance of £0.978m was in line with the month end cash target set by the health board of between £1m and £2m. At the recent TAG Cash and Banking Sub Group it was confirmed that the Welsh Government month end cash target is 5% of allocation and the health board will manage its month end cash position in line with this target going forward.
- The trade and other payables figure saw an increase from £168.695m at the end of October to £171.798m at the end of November, an increase of £3.103m. This increase was primarily due to an increase in the creditors control account due to the timing of the payment runs at the end of November, with the last supplier payment run taking place on 25<sup>th</sup> November a day earlier than usual.
- Provisions reduced from £137.332m at the end of October to £137.034m at the end of November, a reduction of £0.298m. The reduction was due to payments against existing clinical negligence, personal injury, redress and retrospective CHC provisions.

The forecast year-end balance sheet represents the best estimate of the likely year-end position at this point in time, but is liable to change as we move into quarter 4 and performance against the quarter 3 plan becomes clear.

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

As detailed above, at the end of November 2020, the Health Board had a cash balance of £0.978m which was in line with the planned month end cash balance of between £1m and £2m.

As at the end of November, the forecast year-end cash deficit amounts to £12.155m as detailed in the table below. The forecast is based on the forecast year end revenue deficit, receipt of anticipated allocations from Welsh Government, as detailed in table E and an estimate of movements in working capital balances on the cash position.



	<b>£000</b>
Forecast I&E Deficit	(24,405)
Forecast movement in revenue working balances (Payables, receivables and inventories)	12,629
Forecast movement in capital payables	(2,115)
Forecast cash impact of movement in provisions	1,250
Opening cash balance	486
<b>Forecast cash Deficit</b>	<b>(12,155)</b>

You will also note from the Statement of Financial Position that the opening cash balance for 2020/21 of £0.486m comprises £0.749m revenue, offset by a negative capital balance of £0.263m. In order to address this imbalance therefore this amount of £0.263m will need to be added to the current forecast movement in capital working capital balances, giving a capital working capital cash request of £2.378m. Whilst no revenue working capital cash support is identified as required at this time, strategic cash support will be required amounting to £10.277m which based on the current forecast and after receipt of capital working capital balances cash support and the correction of the opening revenue/capital cash imbalance will result in a forecast year end cash balance of £0.5m.

The cash flow is updated daily and a full review of the forecast is undertaken at the end of each month taking into account movements in the forecast year end deficit and the latest estimates of the movement in working capital balances.

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

There is no requirement to complete this table for month 8.

## **13. Capital Resource/Expenditure Limit Management and In Year Profiles (Tables I & J)**

The forecast outturn shows an overspend position of £2.187m. There are a number of known funding adjustments for submitted schemes, which will neutralise this position. The plan takes account of the latest estimates for COVID-19 expenditure across our surge capacity, Field Hospitals and new ways of working, including home working.

Following on from the quarter 2 planning guidance and agreement by Welsh Government at our July 2020 CRM, a revised discretionary plan was approved by the Board at its July 2020 meeting. The plan remains balanced, but has been adjusted through changes to schemes profiles and reductions in some discretionary allocations and switching between AWCP schemes to mitigate the adverse national funding position, while trying to maintain delivery and pace on a number of critical priority projects. The Board approved continuation with the design works on the Singleton cladding and maintaining the cancer clinical pathways through the letting of contracts for the replacement of the ageing CT-Simulator at the West Wales Cancer Centre. In making these changes, we have assumed that once the national funding situation improves, the plan can then revert to its original intentions. The plan also reflects the Q3/Q4 planning guidance.

The main areas contributing to this overspend position have been highlighted within the table below and are classified as high risk.

<b>Scheme</b>	<b>£m</b>	<b>Narrative</b>
Re-Fit Phase 2 – Solar Farm	2.077	Anticipated funding in line with Paul Bryant approval letter 30/11/20.
Open Eyes Ophthalmology System	0.020	Anticipated funding in line with Fiona Jenkins funding letter 19/10/20.
PHW COVID Hot Labs at Morriston	0.090	As submitted to Ian Gunney 6 Nov.

The remaining schemes highlighted as high risk in Table J are not detailed above, since they are as a consequence of the revised capital plan and changes to discretionary contributions. For these schemes, there is no risk to scheme plan, as the risk assessment includes an adjustment for discretionary.

We are experiencing some delays with financial impacts across a number of our building and engineering schemes due to the COVID-19 outbreak. This applies to schemes on-site due to the impact of social distancing and the unavailability of Health Board premises. It is also likely that we will experience increased costs as we go out to tender for new schemes.

#### **14. Capital Disposals (Table K)**

There are a number of planned property disposals with expected sale proceeds of £0.506m. All have received Ministerial approval to proceed.

#### **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 November. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £49k at the end of November 2020 (October - £9k) with the number of invoices in this category reducing from 11 at the end of October to 9 at the end of November. Of these outstanding invoices between 11 and 17 weeks old, 2 have been paid since the end of November amounting to £90.59.

There were no invoices outstanding for more than 17 weeks at the end of November 2020.

#### **16. Ring Fenced Allocations (Tables N & O)**

There is no requirement to complete these tables for month 8. GMS is currently forecast to underspend by £0.867m and dental expenditure by £2.809 however this underspend is more than offset by the reduction in dental patient income.

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

In the absence of the Chief Executive, the monthly monitoring return submission will be approved by Chris White (Deputy Chief Executive).

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

These Monitoring Returns will be included on the agenda of the Health Board's  
Performance and Finance Committee on 15<sup>th</sup> December 2020.

Yours sincerely,



**DARREN GRIFFITHS**  
**DIRECTOR OF FINANCE (INTERIM)**

Emma Woollett, Chair  
NHS Financial Management



**TRACY MYHILL**  
**CHIEF EXECUTIVE**

Assistant Directors of Finance  
Mr Jason Blewitt, Wales Audit Office

