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Dyddiad/Date: 11th February 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 JANUARY 2021**

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31<sup>st</sup> January 2021. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 21<sup>st</sup> January 2021.

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)
<u>2020/21</u>	
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. During January the underachievement on planned savings as a result of the pandemic has reduced to £8.717m with an additional £0.180m savings being identified.

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 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 was revised in Month 8 to £24.405m and the Health Board remains on track to deliver this forecast and 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:

Allocation	YTD	M11	M12	£m
Field hospitals/surge	30.121	1.504	3.986	35.611
Workforce funding	6.831	0	0	6.831
ChC social care costs	1.953	0.952	0	2.905
Track & Trace	4.559	1.756	1.781	8.097
Optimising flows	0.356	0.838	0	1.194
Easter B/H working	0.213	0	0	0.213
MHSIF	0.451	0	0	0.451
PPE	6.604	1.190	0.850	8.644
Urgent Primary Care	0.013	0.083	0.083	0.179
Recovery & Assess	0.347	0.475	0.475	1.297
Winter Funding	0.132	0.288	0.288	0.708
Independent Sector	0.400	0.322	0.322	1.044
Flu Vaccination	0.779	1.001	0.206	1.986
Voluntary Sector MH	0.200	0	0	0.200
Mass Vaccination	1.082	1.925	1.692	4.699
Annual Leave	0	0	11.615	11.615
Additional Pharmacy	0.225	0.225	0.225	0.675
General Allocation	39.516	4.736	3.948	48.200
<b>Total</b>	<b>93.782</b>	<b>15.295</b>	<b>25.472</b>	<b>134.549</b>

## 2. Underlying Position (Table A1)

The underlying position reported of £42m reflects an initial deficit plan of £24m plus £18m savings non-delivery. This is subject to further test an analysis through the process we

have in place to develop our 2021/22 financial framework in support of our integrated Annual Plan. There will inevitably be ongoing financial consequences of the pandemic both directly such as TTP and Vaccination and indirectly such as loss of income, increased costs of PPE, elective care recovery and these costs are being considered as new year costs within the 2021/22 financial plan.

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

The Health Board is required to manage risks and opportunities within its plan submission these are regularly reviewed to enable any impact to be managed within the Health Board financial position.

All of the risks and opportunities, with the exception of the non-delivery on amber savings schemes were removed from Table A2 in Month 8 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.

It must be highlighted that the forecast expenditure for Mass Vaccination is extremely volatile to vaccine supply and delivery. The current forecast assumes all mass vaccination centres are fully operational and ongoing cluster delivery within the cost assumptions. This will vary with delivery.

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

The Month 10 cumulative reported position is an overspend of £20.575m.

Based on the initial plan, a cumulative overspend of £20.338m would have been expected.

The COVID-19 cumulative net impact to the end of January 2021 has been assessed as £93.782m. 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 £93.782m have been received or assumed up to the end of month 10, giving both a cumulative and year-end forecast breakeven position.

The operational deficit at month 10 is £0.237m with a year-end forecast breakeven position.

At the end of Month 10 the Revenue Resource Limit is under-phased by £41.0m, the reasons for this can broadly be described as follows:

- Field Hospital set up costs £4.8m
- Field Hospital decommissioning costs (£4.4m)
- Additional staff costs £1.1m
- ICF expenditure expected later in the year (£6.5m) – no slippage, actual invoices received or accruals made.

- NICE drugs expected growth (£1.0m) – potentially some slippage.
- Pay reserves (£0.7m) – fully committed.
- Non pay reserves (£6.1m) – fully committed.
- Capacity (£2.5m) – fully committed.
- CHC expected growth (£1.5m) – expected to be utilised to pay ongoing additional payments to providers.
- Commissioner contracts (£1.2m) – fully committed.
- Risk pool liability plus clinical negligence & losses (£2.8m) – invoice expected from NWSSP and year end adjustments.
- Transformation & Innovation future costs (£1.4m) – no slippage, actual invoices received or accruals made.
- Primary Care costs (£3.6m) – potential slippage on extended flu vaccination costs.
- Track & trace costs (£2.7m) – potentially some slippage on Local Authority tracing costs, but this will be recovered by Welsh Government.
- Annual leave accrual (£9.7m) – to be fully utilised to increase balance sheet accrual.
- Mass Vaccination (£2.8m) – expected to be fully utilised.

All of these are still assumed to be fully committed and whilst there may be slippage on some areas this will be managed within the overall Health Board position.

The overall expenditure incurred in January 2021 was £11.1m lower than forecast, with the most significant differences in the following areas:

- Primary Care Contractor £2.3m – extended flu vaccination costs now expected in February. In addition, there has been a reassessment of Primary Care accruals resulting in some one off reductions in January.
- Provider Services Non Pay £1.4m – decommissioning costs and lower PPE costs both now expected in February.
- Secondary Care Drugs £1.5m – NICE drug expenditure continues to be at a lower than expected value.
- Healthcare Services Provided by Other NHS Bodies £0.5m – WHSSC contract adjustment.
- Joint Financing and Other £3.4m – Final field hospital set up costs and optimising flows funding due to Local Authorities, the expenditure is now assumed in February 2021. In addition, tracing costs were £0.6m lower than anticipated, these costs are unlikely to materialise at forecast levels in future months.
- Losses, special payments and irrecoverable debts £1.2m – costs expected to arise later in the year.

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

- Primary Care Contractor reduction of £2.5m – to reflect the reassessment of Primary Care accruals.
- Primary Care – Drugs & Appliances increase of £0.8m – to account for additional mass vaccination costs.
- Provided Services Pay increase of £3.0m – to reflect additional mass vaccination costs and estimates of additional overtime.
- Provided Services Non Pay increase of £0.5m – adjusted for field hospital decommissioning estimates.

- Secondary Care – Drugs reduction of £2.6m – to reflect the lower costs experienced over a number of months.
- Continuing Care and Funded Nursing Care increase of £1.3m – to account for ongoing additional payments to providers.
- Joint Financing and Other reduction of £0.9m – primarily as a result of reduced trace costs in January.

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

The Health Board pay spend in Month 10 is higher than forecast. The key reasons being an increase in overtime and agency costs. The uptake of enhanced overtime rates has been higher than anticipated and has been welcomed in increasing workforce supply during this challenging period. Measures are being taken to ensure that staff wellbeing is protected during this period. Despite the field hospital not being operationalised in January 2021 a significant amount of internal surge capacity remains open driving additional cost.

The Health Board Agency expenditure for Month 10 is £3.157m, which is 6.0% of the overall pay expenditure and is £1.320m greater than the same period in 2019/20.

The Health Board anticipated that there would be a significant increase in the level of agency spend as availability increased, we are also seeing increased costs for substantive staff, including overtime.

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 – 49%
- Temporary Absence Cover – 10%
- Additional Support to delivery and performance – 21%
- COVID-19 – 20%

Table B2 includes £11.6m to account for an increased annual leave accrual. This has been assessed using a range of data sources to provide sample averages based on the assumption that the proportion of annual leave entitlement taken in Q4 will be similar to that experienced in the first three quarters of the year. The estimated impact by staff group is set out in the table below.

Staff Group	Estimated Outstanding Days	Estimated Total Accrual £	Less Current Accrual £	Estimated Accrual Increase £
Add Prof Scientific and Technic	3.09	208,338	6,606	201,732
Additional Clinical Services	3.90	948,356	23,788	924,568
Administrative and Clerical	7.10	2,483,935	84,443	2,399,492
Allied Health Professionals	5.33	848,989	19,017	829,971
Estates and Ancillary	4.00	441,605	17,715	423,890
Healthcare Scientists	4.70	258,469	19,854	238,615
Medical and Dental	10.00	4,095,367	524,774	3,570,593
Nursing and Midwifery Registered	5.00	3,063,958	37,604	3,026,354
<b>Grand Total</b>		<b>12,349,015</b>	<b>733,801</b>	<b>11,615,213</b>

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

The COVID-19 impact for January 2021 has been assessed as £10.049m.

The Month 10 actual costs are significantly lower than the £15.850m 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 10, these are still anticipated to be incurred later in the year.

The financial forecast for COVID-19 for the 2020/21 financial year has been assessed as £135.134m which is an increase of £3.785m on last month, against anticipated funding of £135.134m. The key movement relates to the increased estimates for decommissioning the field hospitals and increased mass vaccination costs.

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. The allocation for TTP has already been issued in full, however there was slippage of £0.585m on Local Authority costs in January, this has been removed by including a resource allocation adjustment on Table E.

The estimated costs of the extended flu vaccination programme amounting to £1.986m have been included in Table B. Costs of £0.779m have been incurred to date with the split being £0.460m GMS, £0.304m primary care drugs and the balance relates to pay expenditure.

Table B3 also includes the reduction in patient dental income amounting to £3.1m year to date with the annual forecast assessed as £3.7m.

## **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 10 is £5.167m against a planned delivery of £17.537m. The impact of non-delivery of savings to Month 10 is therefore £12.370m. 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 decreased from £10.087m at the end of December to £9.942m at the end of January, a reduction of £0.145m. The reduction was

anticipated and relates primarily to drugs stocks, which increased in December due to Christmas and Brexit no deal preparedness.

- There was an increase in trade receivables from £178.234m at the end of December to £198.096m at the end of January, an increase of £19.862m. The majority of this increase (£18.127m) was due to an increase in the Welsh Risk Pool debtor for clinical negligence cases following the receipt of the 3<sup>rd</sup> quarter quantum reports from NWSSP Legal and Risk Services. The remaining increase was due to the increase in the VAT debtor, with the December claim being submitted later than usual in January to ensure that the cash was not received before the end of January, given the cash balance at the end of the month.
- The closing January cash balance of £7.285m was slightly above the WG best practice cash target for the health board of £6m. The higher cash balance was due to lower than anticipated supplier creditor payment runs during the last week of January.
- The trade and other payables figure saw an increase from £169.138m at the end of December to £177.312m at the end of January, an increase of £8.174m. The increase was across all payables headings with the main increases relating to unpaid invoices on the Oracle system (£2.1m), an increase in goods received not invoiced (£1.5m) and accruals for invoices not yet received (£4.1m).
- Provisions increased from £136.483m at the end of December to £154.124m at the end of January, an increase of £17.641m. The increase was due to the provision for clinical negligence claims arising from the 3<sup>rd</sup> quarter quantum reports received from Legal and Risk Services. This increase was offset as outlined above by a corresponding increase in the Welsh Risk Pool debtor.

The forecast year-end balance sheet represents the best estimate of the likely year-end position at this point in time and has been updated to reflect the impact of the latest clinical negligence and personal injury quantum reports from Legal and Risk Services and the forecast increase in accrual for untaken annual leave.

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

As detailed above, at the end of January the Health Board had a cash balance of £7.285m which was slightly above the WG best practice cash target for the health board of £6m, due to lower than anticipated supplier payment runs during the last week of January.

On 25<sup>th</sup> January, confirmation was received from WG that cash support amounting to £12.655m, comprising £2.378m of cash support for movement in working capital balances and £10.677m strategic cash support had been approved and will be available for draw down in March.

Taking into account the approved cash assistance, receipt of anticipated allocations as detailed in table E and the forecast cash receipt and payments for February and March, the health board is forecasting a cash surplus at year end of £4.103m.



With effect from 1st February, daily cash team meetings are taking place to monitor the overall cash position. The health board aims to hold a cash balance at year end in line with the best practice figure set by Welsh Government and as a result is working with colleagues across the health board to ensure that all invoices due for payment are authorised and processed by year end and that debtor invoices are raised promptly to ensure cash receipts are maximised. In the event that not all the strategic cash approved by Welsh Government is required, the full amount will not be drawn down and if this is the case, this will be communicated to Welsh Government as soon as identified.

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

There is no requirement to complete this table for month 10.

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

The forecast outturn shows an overspend position of £1.467m. 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 main areas contributing to this overspend position have been highlighted within the table below and are classified as high risk.

Scheme	£m / Risk Level	Narrative
Decommissioning Costs	0.994 / High	Anticipated funding as submitted to Ian Gunney 9 Nov.
PHW COVID Hot Labs at Morriston	0.090 / High	Anticipated funding as submitted to Ian Gunney 6 Nov.
COVID Immunisation	0.131 / High	Anticipated funding as per correspondence with Ian Gunney.
Community Nursing IT	0.232 / High	Anticipated funding as per correspondence with Ian Gunney.
Oxygen – Singleton Estates	0.020 / High	Anticipated funding as per correspondence with Ian Gunney.
EDCIMS	0.236 / High	Mixed allocation with Discretionary.
Re- Fit Carbon Reduction Project	(0.181) / High	Mixed allocation with Discretionary.
Gamma Cameras	(1.850) / High	Mixed allocation with Discretionary.
NPT MRI	(0.124) / High	Mixed allocation with Discretionary.
Singleton Cladding	(0.216) / High	Mixed allocation with Discretionary.

<b>Scheme</b>	<b>£m / Risk Level</b>	<b>Narrative</b>
CT Sim	1.964 / High	Mixed allocation with Discretionary.

Since the start of the COVID-19 pandemic, we have experienced some delays with financial impacts across a number of our building and engineering schemes. 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. The delays being experienced have increased over the last few weeks, with challenges being experienced with contractors and design teams being available on-site. We are also noticing significant increases to the lead times for delivery of equipment orders, including IT devices.

Following a review of the latest valuations from the DV and a review of planned completion dates, the estimated funded requirement for AME impairment has been reduced to £9.732m, with a total AME non cash requirement of £4.465m. Several schemes have yet to complete and we will keep under review for the M11 return, with final figures agreed through the year-end non-cash returns process. Our depreciation estimates remain unchanged at this point, but these are likely to alter once we understand the impact from the receipt of the national equipping donated assets.

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

There are a number of planned property disposals with expected sale proceeds of £0.341m.

All of the property disposals 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 January. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £211k at the end of January (December - £129k) with the number of invoices in this category reducing from 17 at the end of December to just 1 at the end of January. This invoice currently remains outstanding.

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

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

There is no requirement to complete these tables for month 10. GMS is currently forecast to broadly breakeven and dental expenditure is forecast to underspend 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 Dr Richard Evans (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 23<sup>rd</sup> February 2021.

Yours sincerely,



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



**MARK HACKETT**  
**CHIEF EXECUTIVE**

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

