

Dyddiad/Date: 11th March 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 28th February 2022

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 28th February 2022. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your letter of 18th February 2022.

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 2020/21 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 identified schemes have increased to £28.4m, however some slippage has been

experienced in the delivery against these planned schemes, with a forecast delivery of £28.2m in year.

Whilst some minimal level of slippage has been seen in recent months, it is anticipated that if similar levels of slippage were encountered in the final months of the year, they would be able to be managed within the overall Health Board forecast.

The key focus for the Health Board will be securing the full recurrent savings required in 2021/22 into 2022/23 to support the recurrent reported underlying position. At the end of month 11 there is a shortfall of £2.3m. This has now been mitigated by the release of planned uncommitted investments to allow services to focus on the identification, planning, implementation and delivery of the 2022/23 savings requirement.

The Health Board opening plan includes 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 included direct COVID impacts such as TTP and Vaccination as well broader service implications. These estimated costs have increased by £13.5m from the initial plan which reflects the inclusion of further recovery funding, urgent and emergency care funding and the pay award impact on COVID costs.

The Health Board recognises that funding has been allocated for COVID programmes such as TTP, Vaccination and PPE based on Month 8 forecasts and will be now working to manage any variation in forecasts within the overall Health Board available resources.

2. Risks (Table A2)

The Health Board continuously reviews the keys risks and opportunities. The items previously included in the risks and opportunities table have been negated as they are expected to be managed within the overall Health Board forecast.

The impact of the movement in the annual leave accrual and buy back of annual leave is still being assessed in readiness for the year end. The impact based on the initial assessment is able to be managed within the Health Board overall financial position, due to slippage on COVID recovery expenditure.

Due to the ongoing requirements around mass vaccination, our Field Hospital Establishment Group (FHEG) recently agreed to an extension to the lease of the Bay Studios Field Hospital from August 2021 to July 2022. This position will remain under routine review to reflect the Health Board's required ongoing response to the pandemic.

As discussed with Ian Gunney at our recent CRM, we are working to ensure we reflect the appropriate accounting treatment for the extension of the lease and the considerations currently underway for the financial exit from the lease as and when this becomes necessary.

3. Monthly Positions (Table B)

The Month 11 reported position is an in-month overspend of £1.705m and a cumulative overspend of £20.946m. Based on the initial plan deficit, an overspend of £22.371m would have been expected.

At the end of Month 11 the Revenue Resource Limit is under-phased by £43m, the reasons for this can broadly be described as follows:

- ICF and transformation expenditure settlement
- COVID costs, particularly recovery and urgent and emergency care
- Movement in year end accruals and provisions

The Month 11 position saw continuing workforce pressures with both COVID and non-COVID sickness rates remaining high along with extremely high levels of operational pressure. 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 financial plan allows for growth, however mitigating opportunities have been developed to support the management of this growth.

The overall expenditure incurred in February 2022 was £6m lower than forecast, with the most significant differences in the following areas:

- Provider Pay, Non Pay and Other Private and Voluntary Sector – due to constraints on recovery and UEC plan implementation.
- Drugs cost in Primary and Secondary Care – due to number of working days.

The movement in forecast expenditure reflects the application of additional funding allocations. There are some movements between expenditure heads as planned expenditure becomes more certain.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 11 is £3.237m, which is 5.9% of the overall pay expenditure and is £0.795m 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 be as granular as in previous submissions.

- Vacancy Cover – 42%
- Temporary Absence Cover – 19%
- Additional Support to delivery and performance – 20%
- COVID-19 – 19%

5. COVID-19 (Table B3)

The financial forecast for the 2021/22 financial year has been estimated as £113.499m. This is £12.3m higher than that included in the opening plan assessment and has been matched with WG funding. The assessments are being continually reviewed and refined to reflect changes in policy and guidance, disease prevalence, workforce availability, development of essential services and field hospital utilisation, however at this point in the financial year the Health Board recognises the requirement to manage variation in costs from forecast and funded levels with the overall Health Board revenue position.

The key movements from the previous month are: -

- **PPE** – amended to reflect most recent usage.
- **WHSSC position** – amended to reflect the most recent WHSSC forecast
- **Annual Leave Accrual** – this initial assessment of the movement in the annual leave accrual has been included in table B3 other, following WG guidance issued. This is being offset by slippage on planned recovery expenditure.

Any movement in forecasts has been managed within the overall funding allocation and forecast.

In response to Action Point 8.6, the funding included within the COVID Recovery template, is made up of the following:

Funding Area	£
Initial Recovery Plan Proposal	16,243,000
Support for Recovery (N/R)	5,656,000
PACU	528,000
Community Health Checks	127,000
Additional DoLs funding	232,917
Planned Care Recovery	1,429,718
Planned Care Recovery	453,929
	24,670,564
Learning Disabilities Health Checks	78,000
ICF Children with Complex Needs	239,000
Total	24,987,564

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 £28.4m of savings that have been assessed as green or amber. This includes £0.588m of income generation.

Whilst the green and amber schemes have increased from the opening plan, slippage has been seen on a number of schemes, particularly those related to bed utilisation efficiency, which has reduced the forecast delivery to £28.2m.

There are 21 validation errors on Table C3, due to amber schemes which have passed the Go Green date. These schemes equate to £1.359m of the £28.2m planned savings. A number of these schemes relate to bed utilisation efficiencies which due to the pandemic pressures and an extremely constrained workforce market have been delayed. These schemes have no forecast delivery for this financial year, but continue to be part of the planned recurrent delivery profile. The remaining schemes continue to be pursued, however if slippage is encountered the £0.405m is expected to be contained within the Health Board forecast position.

The Health Board Savings Programme Management Office (PMO) has been established 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 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.

The funding for extended flu has been received post ledger close. The forecast costs have been reassessed against the funding allocation and whilst this is still included in the anticipated

allocations, the Health Board can confirm no further funding is required over and above the funding received.

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 £10.283m at the end of January to £9.801m at the end of February, a reduction of £0.482m. The reduction mainly relates to drugs stocks across all hospital sites (£0.299m) and blood products stocks of £0.141m.

There has been an increase in trade receivables from £218.166m at the end of January to £226.972m at the end of February, an increase of £8.806m. There has been an increase of £13.9m in the Welsh Risk Pool debtor following the receipt of the February quantum reports for clinical negligence, personal injury and GP indemnity claims, with this increase being offset by a reduction in income accruals for anticipated allocations of £4.381m and reductions in trade debtors following the settlement of quarter 3 invoices raised in January.

The closing February cash balance of £11.788m is much higher than planned and above the best practice cash target for the Health Board of £6m. This was due to lower than forecast capital payments, higher than anticipated income from WHSSC and repayment of a £5m clinical negligence case which was not notified to the health board as being reimbursed until after the February cash was drawn down through the FIS. The cash management plan for March will ensure that the cash balance is reduced in line with normal month end balances.

The trade and other payables figure saw a slight reduction from £221.820m at the end of January to £220.482m at the end of February, a reduction of £1.338m. There was an increase of £2.545m in capital payables and a reduction of £3.883m in revenue payables the reduction in revenue payables mainly relating to NHS creditors and in the tax/NI creditor following payment to HM Revenue in Customs in February of the tax and NI on the 1% pay award to all staff up to band 5 paid to staff in January.

Provisions saw an increase from £137.411m at the end of January to £156.510m at the end of February, an increase of £19.099m. The increase mainly relates to the clinical negligence provision following the receipt of the February quantum reports for clinical negligence, personal injury and GP indemnity claims, As mentioned above, this increase is largely backed off by the increase in the Welsh Risk Pool debtor associated with these claims, the net in month impact being in line with expectations.

10. Cash Flow Forecast (Table G)

As at the end of February, the Health Board had a cash balance of £11.788m well above the WG best practice figure of £6m, the reasons for which are as explained in the paragraph above.

A detailed review of the forecast revenue and capital cash receipts and payments for March has been undertaken and the cash flow statement updated to ensure that the amount of cash drawn down whilst being sufficient to discharge all forecast cash commitments does not leave the health board with a high cash balance as at the end of March 2022.

From a capital cash position, given the opening cash position and the forecast cash payments between now and the end of March 2022, it is planned to draw down in cash only £48.5m of the approved CRL cash allocation. It must be stressed, however, that the capital position is fast moving and this position may change over the course of the next two weeks with more or less cash possibly being required as the position in respect of the timing of cash payments becomes clearer. There is

therefore a difference between the cash allocations for capital in table E and the capital cash draw down in table G.

With regards to the revenue cash position the health board currently plans to draw down all allocations received to date and those detailed as anticipated allocations in table E. Table E has been amended to remove from anticipated allocations the £4.220m approved strategic cash support and the remaining £9m of working capital cash approved relating to the bonus payment which are not expected to be drawn down.

The course of action detailed above will leave the health board with a forecast closing cash balance of £9.558m, although it is the intention through chasing down payment of invoices to bring this year end cash balance down to around £3m in line with the health board's normal month end cash balance.

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

There is no requirement to complete this table for month 11.

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

The forecast outturn shows a balanced position.

The following allocations are all classed as high risk. The in-year underspends on the AWCP schemes are being offset with increased spend on discretionary schemes.

Scheme	£m / Risk Level	Narrative
Covid-19 Recovery Plans 2021-22	0.880 / High	<p>The COVID recovery funding £7.340m covers three schemes.</p> <ul style="list-style-type: none"> • Ophthalmology Modular Theatre, Singleton Hospital. Proceeding to plan. • Fracture and Orthopaedic Unit, Morriston Hospital. Following the recent conclusion of our Changing for the Future consultation, we are planning to commence works at the end of March. • Orthopaedic Modular Theatres, Neath Port Talbot Hospital. The scheme design is progressing, but the design complexities and complex contractual arrangements with the PFI mean enabling works will not now commence until next year.
Anti-Ligature	1.007 / High	Increasing material lead times and delays with the PFI partner funders, have reduced the spend profile this year.
Cladding, Singleton	0.414 / Medium	There are potential delays to the scheme due some possible material defects. Work is ongoing with the SCP to understand the impact on the programme.

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

Following on from the reduction we disclosed in Month 10, we have undertaken a further review of our non-cash DEL estimates and reduced this by a further £95k in Month 11. The forecast has dropped in value now that we have a better view on the commissioning status of our schemes in this financial year. We disclose this in line with the Gary Young email (dated 27/01/2022), which requested that we disclose any material movements from latest forecasts as they arise.

13. Capital Disposals (Table K)

Following discussion with Velindre and WG, we've included a new disposal receipt of £0.833m for the Laundry Transfer to Shared Services. This is a contra to the CRL reduction of the same value which reflects the correct accounting treatment for a transfer between a Health Board and Trust.

There are a number of other planned property disposals this financial year with outstanding expected sale proceeds of £0.187m. The reported forecast outturn position assumes that the outstanding disposal income will be received.

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 February. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £31k at the end of February (January - £14k), with the number of invoices in this category reducing from 7 at the end of January to 6 at the end of February. Of the outstanding invoices between 11 and 17 weeks old none have been paid since the end of February.

There were 4 invoices outstanding for more than 17 weeks at the end of February (January 7 invoices amounting to £39K) totalling £7k. All of these invoices have been agreed for payment as part of the agreement of balances exercise and since the end of February 1 invoice has been paid with a value of £3k and payment dates have been promised for the remaining 3.

15. Ring Fenced Allocations (Tables N & O)

Table N & O are completed quarterly. As per the M9/Quarter 3 submission, GMS expenditure is currently forecast to underspend by £0.112m and Dental expenditure is currently forecast to overspend by £0.292m.

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.

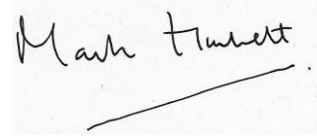
These Monitoring Returns incorporate the financials of the following hosted bodies: Delivery Unit and EMRTS.

These Monitoring Returns will be received by the Health Board's Performance and Finance Committee on 29th March 2022.

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, Audit Wales