

Dyddiad/Date: 11th November 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 October 2021

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 31st October 2021. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your letter of 28th October 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 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 £27.4m, however some slippage has been

experienced in the delivery against these planned schemes, with a forecast delivery of £26.599m in year. The Health Board intends to balance off the slippage in savings through the release of investment slippage.

The key focus for the Health Board will be securing the full recurrent savings required to support the recurrent reported underlying position.

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 £11.748m 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.

It is anticipated that these costs will be supported by additional funding allocations. The assessed costs continue to be monitored as guidance and modelling evolve over forthcoming months to ensure they can be managed within the £45.198m confirmed sustainability funding.

2. Risks (Table A2)

The Health Board continuously reviews the keys risks and opportunities. These will be reviewed in full for Month 8 and are the Health Board expects to be able to manage residual risks within the overall forecast.

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 – the in-year risk has been reduced to reflect the recent review of forecast savings delivery	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Removed as DOFs agreed the continuation of the block arrangements for the remainder of the financial year.
Brexit impact on workforce availability and costs – this has been reduced to reflect the inclusion of escalating prices within the current and projected cost base.	<ul style="list-style-type: none"> • 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 – reduced to reflect the inclusion in the current and projected position
Slippage against internal and external investment plans – reduced to reflect the inclusion in the current and projected position

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

- The impact of the enhanced payment rates for staff supporting recovery and the use of this flexibility to support staff working in areas of high escalation is being reviewed, however the Health Board is endeavouring to contain the overall COVID Recovery and Sustainability funding.

- The confirmation of the COVID sustainability funding and the COVID recovery funding is extremely welcomed and ensures that the Health Board is clear about the funding within its services must operate. The mid-year review will focus on the assurance of delivery within these funding envelopes and the service expectations.
- The Health Board has submitted a plan to support Paediatric RSV to WG, the costs of implementing this plan have been included within the forecast and covered by COVID sustainability funding. This is being reviewed alongside the COVID sustainability funding.

3. Monthly Positions (Table B)

The Month 7 reported position is an in-month overspend of £1.874m and a cumulative overspend of £13.880m. Based on the initial plan deficit, an overspend of £14.236m would have been expected.

At the end of Month 7 the Revenue Resource Limit is under-phased by £39m, the reasons for this can broadly be described as follows:

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

The Month 7 position saw continuing workforce pressures with both COVID and non-COVID sickness rates increasing and 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 plan allows for growth, however mitigating opportunities have been developed to support the management of this growth.

The overall expenditure incurred in October 2021 was £6.3m lower than forecast, with the most significant differences in the following areas:

- Primary Care Contractor – this relates to re-phasing of Mass Vaccination costs, which will be further reviewed in light of the booster programme and a reclassification between Primary Care contractors and Joint financing.
- Provider Services Non Pay – due to lower activity than anticipated, linked to service demand pressures.
- Other Private and Voluntary Sector – due to delays in accessing capacity for recovery.
- Joint Financing and Other – ICF and other LA costs being agreed and issued later than planned.

There has also been some movement in the forecast annual expenditure, this is predominantly due to the approval of further funding support for COVID recovery.

The Provider bonus payment of £1.13m was recovered in Month 7.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 7 is £2.894m, which is 5.5% of the overall pay expenditure and is £0.981m 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 – 49.5%
- Temporary Absence Cover – 12.88%
- Additional Support to delivery and performance – 21.88%
- COVID-19 – 15.75%

5. COVID-19 (Table B3)

The financial forecast for the 2021/22 financial year has been estimated as £112.968m. This is £11.748m higher than that included in the opening plan assessment and has been assumed to be 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.

The key movements from the previous month are: -

- **Testing, Tracing and Vaccination** – these now reflect revised forecasts.
- **PPE** – amended to reflect most recent usage.
- **Recovery** – reflects the confirmed additional allocations and associated costs.
- **Other** – The Urgent and Emergency care anticipated allocations and costs have been adjusted to reflect the full year costs. There are three strands of funding; Urgent Primary Care Centres where costs and funding reflects the confirmed funding, Same Day Emergency Care, funding allocation reflects maximum agreed funding, currently only plans to spend £0.5m and the balance is shown in non-pay in month 12 until such time as clear expenditure plans are developed and Contact First where funding has been assumed on the basis of current service model provision.

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 £27.415m of savings that have been assessed as green or amber. This includes £0.484m 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.

Whilst the green and amber schemes have increased, slippage has been seen on a number of schemes, particularly those related to bed utilisation efficiency, which has reduced the forecast delivery to £26.599m.

There are 16 validation errors on Table C3, due to amber schemes which have passed the Go Green date. These schemes equate to £0.865m of the £27.715m 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 £0.37m 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.

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 increased from £9.429m at the end of September 2021 to £9.717m at the end of October 2021, an increase of £0.288m. The increase relates to drugs stocks at Morriston and Singleton Hospitals.

There has been an increase in trade receivables from £188.445m at the end of September 2021 to £198.874m at the end of October 2021, an increase of £10.429m. The majority of the in-month increase (£9.344m) relates to income accruals for anticipated allocations from Welsh Government. The remaining increase relates to outstanding debts with NHS and other whole of government accounts bodies.

The closing October 2021 cash balance was £4.823m well below the Welsh Government best practice cash target for the Health Board of £6m but above the local target of £1m - £2m. The cash balance was higher than planned due to lower than forecast supplier payments with delays in the processing of nurse agency invoices due to staff absence.

The trade and other payables figure saw an increase from £209.755m at the end of September 2021 to £217.140m at the end of October 2021, an increase of £7.385m. This was linked to lower than forecast supplier payments resulting in an increase of £5.223m in outstanding invoices on the creditors system at the end of the month. The remaining increase was linked to accruals for invoices not yet received.

Provisions reduced from £140.842m at the end of September 2021 to £140.326m at the end of October 2021, a reduction of £0.516m. The reduction was due to payments against existing clinical negligence provisions.

The forecast year-end balance sheet represents the current best estimate of the likely year-end position at this point in time. This forecast will be reviewed monthly going forward as the movement in working balances becomes clearer.

10. Cash Flow Forecast (Table G)

As at the end of October 2021, the Health Board had a cash balance of £4.823m which is within the WG best practice figure of £6m.

Based on the latest projected receipts and payments, a cash deficit of £18.884m is forecast at year end. A key component of this cash deficit relates to the bonus payment with the amount paid out in cash in 2021/22 amounting to £13.268m with this cash being required in 2001/22 following receipt of a resource only allocation in 2020/21.

The Health Board has undertaken a detailed review of its forecast receipts and payments and likely movement in working capital balances to ensure that any request for cash support from Welsh Government provides sufficient cash to ensure that there is no adverse impact on payments to suppliers and other creditors.

The table below provides the detailed analysis of the forecast cash deficit, split against its component parts. From this it can be seen that in addition to the cash required for the COVID bonus payment, cash of £1.466m is required for the reduction in capital payables, this sum taking into account the capital cash drawn down in 2020/21 which was used to pay for revenue items due to capital invoices not being received prior to the end of the financial year.

A sum of £4.150m is also required as strategic cash support. This sum derives from a small forecast increase in revenue payables at year end, a cash benefit from trade receivables mainly linked to reimbursements from Welsh Risk Pool in respect of clinical negligence and redress claims where the cash was paid out in 2020/21, including the amounts agreed for reimbursement in March 2021 where the health board requested that the cash was not paid over until April 2021 and a cash benefit from the movement in provisions.

The detailed breakdown of the cash position is shown in the table below:

	Revenue £m	Capital £m	Total £m
Forecast Deficit as per SOCNE	-24,405		-24,405
Reduction in revenue payables – bonus payment	-13,268		-13,268
Increase in revenue payables – other	3,428		3,428
Reduction in capital payables		-6,903	-6,903
Reduction in revenue receivables	9,058		9,058
Movement in provisions – cash related	11,936		11,936
Opening Cash balance	-4,167	5,437	1,270
Forecast Position	-17,418	-1,466	-18,884

The cash flow is updated daily, for receipts and payments as well as allocations received and so may move slightly as further trend information on receipts and payments becomes clear.

With regard to the points made in your reply letter of 28th October (Action point 6.8), the forecast cash position is not predicated on delaying payments to suppliers with the cash forecast showing significantly increased payment to suppliers in the last quarter of the financial year in line with previous years. This includes a plan to clear as many NHS invoices as possible during the last quarter of the year to assist in the agreement of balances process at year end.

11. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table for month 7.

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

The forecast outturn shows an overspend position of £0.488m. Allocations are anticipated from WG on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
Business Case Fees	0.385 / Medium	Funding anticipated from WG.
Open Eyes Ophthalmology	0.103 / Low	Funding anticipated from WG.

There are two allocations classed as medium risk. Mitigation plans are being put in place to maintain a balanced financial outturn should the medium funding risks of £3.000m identified below for the COVID recovery schemes and Enfys materialise.

Scheme	£m / Risk Level	Narrative
Covid-19 Recovery Plans 2021-22	2.000 / Medium	<p>The COVID recovery funding £8.340m 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, current advice is that we may not be able to start work on the reinstatement of the Fracture and Orthopaedic Unit at Morriston until March 2022. • Orthopaedic Modular Theatres, Neath Port Talbot Hospital. The scheme design is progressing, but there is a risk that not all of the enabling works will be completed this year due to concerns with completing the complicated contractual arrangements with the PFI as planned.
Discretionary - Estates	1.000 / Medium	<ul style="list-style-type: none"> • Enfys Reconfiguration, Morriston. The establishment of an Ambulatory Emergency Care and an Acute Medical Assessment Unit, are critical elements of the Health Board's Urgent Emergency Care (UEC) plan. There has been a delay in the works starting due to the unavailability of the area due to COVID pressures. It is anticipated that works can commence in December and we are awaiting a revised programme and cash flow from the contractor.

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. The reported forecast outturn position assumes that the £0.552m 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 October. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £659k at the end of October (September - £902k), although it must be noted that this high value is largely due to outstanding invoices to Welsh Government totalling £630k. The number of invoices in this category reduced from 28 at the end of September to 15 at the end of October. Of the outstanding invoices between 11 and 17 weeks old, 1 has been paid since the end of October.

There were 2 Invoices outstanding for more than 17 weeks at the end of October, one of which was paid on 5th November, with a remittance received for the other with a payment date of 11th November.

15. Ring Fenced Allocations (Tables N & O)

Table N & O are completed quarterly. As per the M6/Quarter 2 submission, GMS and Dental expenditure are currently forecast underspend by £0.355m and £0.214m respectively.

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 23th November 2021.

Yours sincerely,


.....
DARREN GRIFFITHS
DIRECTOR OF FINANCE


.....
MARK HACKETT
CHIEF EXECUTIVE

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