

Dyddiad/Date: 13th October 2021.

Mrs Andrea Hughes
HSSDG – Head of NHS Financial Management
Welsh Government
Sarn Mynach
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Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 30th September 2021

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 30th September 2021. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your letter of 28th September 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 £27.3m, however some slippage has been

experienced in the delivery against these planned schemes, with a forecast delivery of £26.337m in year. The Health Board intends to balance off the slippage in savings through the release of investment slippage and additional savings schemes.

The key focus for the Health Board will be securing the full recurrent savings required to support the recurrent reported underlying position. These are being assessed with the Chief Executive and Director of Finance by 14th November 2021 with budget holders.

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 £8.685m 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 £44.4m confirmed sustainability funding.

2. Risks (Table A2)

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

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 – this 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. This will be completed in November.
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 not been included within the forecast and the Health Board current planning assumption is that any costs would be supported with funding. This is being reviewed alongside the COVID sustainability funding.
- Social care pressures – need to manage Urgent Emergency Care risk and domiciliary pay award impact on health.

3. Monthly Positions (Table B)

The Month 6 reported position is an in-month overspend of £1.821m and a cumulative overspend of £12.006m. Based on the initial plan deficit, an overspend of £12.202m would have been expected.

At the end of Month 6 the Revenue Resource Limit is under-phased by £36m, 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 6 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 September 2021 was £7.9m lower than forecast, with the most significant differences in the following areas:

- Primary Care Contractor – (£3.8m) – this relates to rephasing 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 due to a coding issue.
- Provider Services Pay – (£1.5m) – due to the application of pay inflation to budgeted establishments has produced a benefit due to the use of agency and ad-hoc medical locum sessions which have not attracted inflation at this point.
- Joint Financing and Other – (£1.839m) – 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 accrual balance for the Provider bonus payment currently sits at £1.13m for Month 6. This will be added to the anticipated allocations for Month 7, if funding not returned by that point.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 6 is £2.855m, which is 4.8% of the overall pay expenditure and is £0.968m 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 – 54.5%
- Temporary Absence Cover – 10.9%
- Additional Support to delivery and performance – 19.9%
- COVID-19 – 14.7%

The figures in Section A, Pay Expenditure, for Months 4 and 5 were incorrectly reported in those respective months, and we have updated them within the Month 6 submission.

5. COVID-19 (Table B3)

The financial forecast for the 2021/22 financial year has been estimated as £109.905m. This is £8.685m 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 and the impact of the 3% pay award.
- **Cleaning Standards** – movement reflects the impact of pay award.
- **PPE** – minor amendment to reflect most recent usage.
- **Care Homes** – reflects the tapering of support to adult social care.
- **Recovery** – reflects the confirmed additional allocations and associated costs.
- **Other** – reflects the confirmed funding and the impact of the pay award on COVID costs. The Urgent and Emergency care anticipated allocations and costs have also been added to table B3 this month as advised. It should be noted that these costs are only for the first two quarters of the financial year at this point.

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.

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 £27.369m 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 £26.356m.

The Health Board Savings Programme Management Office (PMO) has been established in September 2021 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 reduced from £9.497m as at the end of August to £9.429m at the end of September, a reduction of £0.068m. The reduction relates to drugs stocks at Morriston and Singleton Hospitals.

There has been a reduction in trade receivables from £191.343m at the end of August to £188.445m at the end of September, a reduction of £2.898m. The main movements are a reduction of £9.774m in the Welsh Risk Pool debtor following reimbursement of some large claims in September approved by the Welsh Risk Pool Committee meeting, offset by increases of £4.637m in NHS debtors, £0.652m in trade debtors and £0.347m in outstanding debts with other whole of government accounts bodies. The increases in these receivable categories is linked to quarterly invoices for quarter 2 being raised at the end of September. Prepayments also saw an increase of £1.137m in month.

The closing September cash balance was £3.491m well below the Welsh Government best practice cash target for the Health Board of £6m but slightly above the local target of £1m - £2m. The cash balance was higher than planned due to larger than anticipated receipts from Welsh Risk Pool.

The trade and other payables figure saw a reduction from £211.659m at the end of August to £209.755m at the end of September, a reduction of £1.904m. The reduction was across all payables areas both outstanding creditors and accruals.

Provisions reduced from £143.838m at the end of August 2021 to £140.842m at the end of September, a reduction of £2.996m. The reduction was due to the impact of the 2nd quarter quantum reports from Legal and Risk Services.

The forecast year-end balance sheet represents a 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 September, the Health Board had a cash balance of £3.491m well within the WG best practice figure of £6m.

Based on the latest projected receipts and payments, a cash deficit of £19.952m 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. Receipt of this cash sum is required as is capital working capital balances cash of £0.559m in respect of the forecast reduction in capital creditors during 2021/22 taking into account the opening cash balances. No additional revenue cash is required for movement in working capital balances other than the £13.268m in respect of the bonus payment. The remaining cash shortfall amounting to £6.125m will be required as strategic cash support.

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

	Revenue	Capital	Total
	£m	£m	£m
Forecast Deficit as per SOCNE	-24,405		-24,405
Reduction in revenue creditors – bonus payment	-13,268		-13,268
Increase in revenue creditors – other	9,353		9,353
Reduction in capital creditors		-5,996	-5,996
Movement in Other Working capital balances – cash related	13,094		13,094
Opening Cash balance	-4,167	5,437	1,270
Forecast Position	-19,393	-559	-19,952

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)

The health board has achieved the 95% PSPP target in each of the first six months of this financial year. Furthermore, the 2nd quarter performance of 96.26% exceeded the 1st quarter performance of 95.85%, resulting in a cumulative performance to the end of September of 96.07%. This performance reflects the hard work being undertaken by the health board and NWSSP Accounts Payable to ensure that goods are receipted promptly to enable invoices to be paid within the 30 days target.

It is disappointing to note that in respect of NHS invoices performance deteriorated in the 2nd quarter with only 74.3% of invoices paid within 30 days compared to 81.03% of invoices in the 1st quarter, reducing the cumulative compliance to 77.16% as at the end of September. The issue of non-compliance with the 95% target for NHS invoices has been identified by a number of health bodies and an all Wales task and finish group has been set up to understand the reasons for delays in payment and to consider options to improve compliance. Particular issues impacting on the Swansea Bay performance in quarter 2 were invoices received from other health boards with outdated or no contact details on them, invoices received without backing being provided, staff sickness and delays in authorisation of invoices within particular service groups. Staff across the health board have again been reminded of the need to ensure prompt authorisation of all NHS invoices and where there are disputes to ensure that these are flagged with Accounts Payable and resolved as soon as possible. Attention will now focus firmly on this area whilst ensuring that the non NHS invoice payment compliance remains above 95%.

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

The forecast outturn shows an overspend position of £8.906m. Allocations are anticipated from WG on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
Business Case Fees	0.440 / Medium	Funding anticipated from WG.
Open Eyes Ophthalmology	0.127 / Low	Funding anticipated from WG. Awaiting clarification from CVH on some minor funding adjustments.
COVID Recovery Schemes	8.340 / Low	Funding letter returned to WG.

As discussed at the September CRM, we are reviewing the spend profiles on a number of schemes. Some of these are related to slippage and also some project underspends. We will be finalising the assessments within the next 2 weeks, to be able to notify Ian Gunney of allocation changes in advance of the deadline of 30th October 2021 to fix the CRL.

Scheme	£m / Risk Level	Narrative
Anti-Ligature	0.500 / Medium	Currently working through proposed work programmes and contracts. Early indications that the schemes may slip into the early part of 2022/23.
Singleton Cladding	1.200 / Medium	Early indication of some slippage. This is mainly due to delays with the extra time involved with the assessment of each area by the expert witness, as part of the litigation claim with the original contractor and design team. The provision of decant ward space is under review given the latest intelligence on COVID pressures.
EMRTS	0.800 / Medium	Risk on delivery of ACCTS vehicles this financial year. Awaiting the outcome of a supplier visit during October by EMRTS for clarification.
Swansea Wellness	0.200 / Medium	A review of the design programme with Coastal Housing is being undertaken, following sign-off of RIBA stage 2 design, alongside the planned submission of the OBC for Health Board approval in January 2022.
National Programmes – Decarbonisation (EFAB - Ysbryd-Y-Coed - PV, Cefn Coed)	0.200 / Medium	Following project development, the Solar Photovoltaic scheme at Cefn Coed has been downscaled to a smaller array to mitigate the generation of too much export electricity. Discussions ongoing with NWSSP-SES around a potential transfer of funding to alternative submitted decarbonisation EFAB schemes. If agreement cannot be reached on a transfer then the £200k funding would need to be returned.
National Programmes – Imaging (Fluoroscopy)	0.500 / Medium	As discussed at the July CRM following the return of an initial tranche of funding, the Health Board was hopeful of further benefits following the full design and tender of the scheme. This is more or

Scheme	£m / Risk Level	Narrative
		less now complete and subject to confirmation of a few minor items, we expect to confirm a further scheme saving in the next couple of weeks.
Fees-Environment Modernisation stage 2 phase 2 BJC	0.200 / Medium	Following a review of the design activities associated with the proposed new location, we are hopeful of making a saving on the design fees required for production of the OBC. We will confirm later this month following a final review by our cost advisor.
E-Prescribing and Medicines Administration	0.150 / Medium	Discussions ongoing with WG regarding a proposed transfer of funding into next year This is due to supply issues in terms of securing devices this year.

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 September. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £902k at the end of September (August - £69k), although it must be noted that this high value is largely due to 2 invoices to Welsh Government totalling £689k which have just tipped over into the 11 weeks old category. The number of invoices in this category increased from 21 at the end of August to 28 at the end of September. Of the outstanding invoices between 11 and 17 weeks old, 8 have been paid since the end of September.

There were 4 invoices outstanding for more than 17 weeks at the end of September, 2 of these linked to purchase order issues at Cardiff & Vale and 2 with Welsh Government. Of these invoices, only 1 now remains outstanding to Cardiff & Vale which is due to delays in the purchase order being authorised at Cardiff & Vale although the invoice is not disputed.

15. Ring Fenced Allocations (Tables N & O)

Tables N & O have been completed for Quarter 2 as required. 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.

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 26th October 2021.

Yours sincerely,



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DARREN GRIFFITHS
DIRECTOR OF FINANCE



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MARK HACKETT
CHIEF EXECUTIVE

Emma Woollett, Chair
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