

Dyddiad/Date: 13th September 2023

Ms Claire Bowden
Deputy Head of NHS Financial Management
Welsh Government
King Edward VII Ave
Cardiff
CF10 3NQ

Dear Claire,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 31st AUGUST 2023

I enclose with this commentary the completed proformas in respect of the Health Board's Monitoring Returns to 31st August 2023.

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

The Health Board (HB) submitted a revised plan at 31st May 2023 which reported a deficit of £86.6m, as summarised below:

	YEAR 2 2022-2025 IMTP	CURRENT ASSESSMENT
	£M	£M
Section 1: 2022/23 Impact Into 2023/24 (Underlying Issues)	22.9	32.2
Section 2: 2023/24 New Cost Pressures	43.6	96.5
Section 3: Health Board Choices	27.1	75.8
Section 4: Savings	(16.3)	(22.2)
Section 5: Allocations/Income Assumptions	(77.4)	(95.8)
Total	(0.0)	86.6

Since submission and as outlined in previous submissions the HB has been under significant operational pressures in the Service Groups which is impacting on the ability to deliver the plan. Within Table A from line 27 down is an update on the assumptions to deliver the plan:

- *Operational Pressures linked to Service Groups* – based on the year end forecasts provided by the Service Group, the non-savings of the risk reported in Table A has been allocated over the remaining months of the year on a flat profile. This value has significantly increased between Month 4 and Month 5 submission linked to the assessment undertaken since Month 4 and further details are provided in Section 3

under Risks. This will continue to be reviewed as part of the Enhanced Monitoring in place. (Line 27 and Line 31 Table A = £41.7m reflected in Table A2)

- *On Going Development of Savings Schemes & Pipeline Ideas Increase* – the financial plan had a requirement to deliver £22.2m of savings on the basis that all b/f savings were delivered in full. However there was a £10.6m gap in the recurrent b/f savings unachieved at the 31st March 2023 bringing the total for the year to £32.8m. Based on values in Table C, taken at the end of August 2023 there remains £11.8m, against the total target of £32.8m, to be achieved in the remaining 7 months of 2023/24. This has improved by £1m since the Month 4 submission and reflects the reduction in the risks of £1m in table A2. It is assumed for the purposes of Table A that the savings of £32.8m will be delivered in a stepped approach for the remainder of the year, based on the actions being taken by the Health Board and detailed in section 4.4 of this letter and the previous 4 letters from 2023/24.
- *N/R Opportunities and release investments* – this line will reflect three areas:
 - Slippage on Investments within the IMTP (not WG funded Schemes) – the plan contained a number of investments agreed by the Board however delays in some of these projects means there is the potential for slippage and these will be reflected in this line once there is a good level of confidence that they are not required. Some of these benefits have been reflected in Month 5.
 - Balance Sheet Accrual Annual Leave – at the end of 2022/23 there remained an accrual on £2m post COVID as the Health Board agreed that in certain circumstances 5 days of annual leave could be carried forward. In September 2023 the Health Board has made the decision to request all staff use their leave and that no carry forward leave will be recognised/approved at the end of the Financial Year. This will then allow the Health Board to release the accrual of £2m.
 - Balance Sheet Accrual Medical Study Leave – this was an accrual that started during COVID and at the request of HEIW continued in 2022/23. Following the annual accounts process for 2022/23 the Finance Team have been assessing under the NHS Wales Manual of Accounts and the overall assessment of the Medical Staff Contracts whether this is a liability for the Health Board. A paper has been drafted for discussion within the Health Board to ensure there is robust governance linked to any decision. This would allow the release of £14.9m non-recurrently and has been included in table A. However there is a risk that not all the £14.9m the HB agrees to release as the paper works through the governance process, but we will continue to share the outcomes and update the tables as appropriate.
- *WHSSC Underspend* – not yet included but under assessment.
- *Run Rate Management Programme* – part of the operational pressures will be mitigated by actions being undertaken within the Service Groups, this line attempts to reflect some of these although this will be reviewed each month, and again is based on the actions being taken by the Health Board as detailed in section 4.4 of this letter and the previous 4 letters from 2023/24.
- *Prescribing Pressures* – within the £31.2m risk in Table A is the £3.2m forecast overspend linked to Prescribing. This has been identified as a separate item in Table

A. There remains significant risk regarding this following the June PAR and further details are provided in Section 3 under Risks.

2. Underlying Position (Table A1)

The underlying b/f position reflects the £32.2m, reported both in the Month 12 MMR submission and the MDS submitted on the 31st March 2023 and relates to Section 1 of the table reported above. However as per the plan submitted on 31st May 2023 the recurrent underlying position c/f would be £86.6m, but as the recurrent savings requirement in the plan of £22.2m has yet to be met this is impacting on the position reported in Table A1 but this will be updated through the year as the recurrent element of the savings are developed.

3. Risk Management (Table A2)

Whilst there has been improvement in the assessment of the delivery of the savings, an assessment of the Morriston Service Group and NPTS Service Group following Month 4, which continued to demonstrate a significant overspend, has resulted in the risk increasing by £17.7m. This does not reflect the Health Board's acceptance of the position but is a balanced assessment of the risk of delivering the £86.6m. The Health Board Corporate Risk Register is currently reporting this risk as a 20 score and this will be reviewed by the Performance and Finance Committee at its September meeting.

In additional to the risks articulated in the table below it is worth noting that the run rate line reflects a £3.2m pressure from primary care prescribing (as per line 32 in Table A) based on the April PAR and trend from the last 2-3 months of 22/23. However the May PAR showed a potential deterioration of a further £2m FYE on the forecast outturn and the June PAR has increased this further by £1.7m driven in the main by item increases. If the trends from May and June PAR continue this could force the £3.2m to increase to £6.7m FYE. The Month 5 position reflects the actual costs for Month 1-3 based on the PAR reported position and then Month 4-5 using the forecast of £5m. There is considerable work required to refine this over the coming weeks before the end of Q2. But at this point it is important to note that the risk may increase further if prescribing continues at its current rate of growth.

The updated table presented in previous submissions is below:

Risk	Openng Plan 31/03/22	Opening Plan Post Ledger Upload#1	Opening Plan	Updates Since 01/04/23	Review Plan 31/05/23	Review Plan 30/06/23	Review Plan 31/07/23	Review Plan 31/08/23	Revised Risk
	£M	£M	£M	£M	£M	£M	£M	£M	£M
Run Rate	27.9	-	27.9	- 2.5	- 4.0	- 7.8	- 0.1	17.7	31.2
COVID Transition #2	13.4	-	13.4	- 2.2	-	- 11.2	-	-	-
In Year Cost	-	-	-	-	-	-	-	-	-
In Year Allocation	-	-	-	-	-	-	-	-	-
COVID Recovery Allocation	-	-	-	-	-	-	-	-	-
COVID transition funding	-	-	-	-	-	-	-	-	-
COVID Recovery Cost	-	-	-	-	-	-	-	-	-
Choice	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Savings c/f	-	10.6	10.6	- 1.2	-	- 9.4	-	-	0.0
Savings #3	22.2	-	22.2	- 10.6	- 6.3	- 7.3	- 1.1	- 1.0	10.5
Total Assessment of Risk	63.5	10.6	74.1	- 16.5	- 10.3	- 21.1	- 1.2	16.7	41.7

4. Monthly Positions (Table B)

4.1 Overview Variance & Plan:

The £86.6m plan was set on a tapered profile reflecting the expectation that some of the run rate work would take two quarters to fully embed and deliver. The table below details the profiling of the plan and actual performance against the plan.

	Trajectory 2023/24 Based on Plan £M	Actual Performance £M	Variance From Plan £M
Mth 1	7.9	10.9	3.0
Mth 2	9.4	13.7	4.2
Mth 3	8.4	11.4	3.0
Mth 4	7.4	10.4	3.0
Mth 5	7.4	10.2	2.8
Mth 6	6.8		
Mth 7	6.7		
Mth 8	6.7		
Mth 9	6.4		
Mth 10	6.4		
Mth 11	6.4		
Mth 12	6.4		
Total	86.6	56.6	15.9

The plan for Month 5 was to be £7.427m overspent. The actual variance at Month 5 was £10.189m putting the Health Board £2.763m over plan.

Further details on the reasons for this are provided in section 4.2 below.

4.2 Movements In Month / YTD Variance

The key areas of variance across the Health Board are summarised in the commentary below:

- **Income**

The WHSCC Income in Month 3 was unachieved by £0.531m but improved performance relating to WHSSC activity from Month 4 resulted in the income improving and the variance reduced to zero in Month 5 (this included backdated renal activity), but still remains at £1.3m YTD.

As reported for the previous 4 months of 2023/24 the pressure as a result in the loss of Dental Contract Income continues, with the YTD shortfall increasing to £0.755m. However it is assuming that the underperformance from 2022/23, estimated to be £1m, will be used by the Health Board to offset this pressure non-recurrently, which has been reflected in the overall Health Board financial performance in Month 5 and supported the run rate reduction in Table A.

- **Pay**

The Month 5 pay was overspent by £1.3m (a reduction from Month 4 of £1.2m) taking the YTD overspend to £8.7m. On Variable Pay overall spend reduced by £0.6m, with the reduction in Non-Medical Agency, Bank and Overtime. Across Pay this reduction was reflected in the overall Qualified Nursing position which reduced by £0.7m and Additional Clinical Supplies (includes HCSW) which reduced by £0.3m. Within both these areas we also saw an increase in WTE, which will reflect the

appointment of staff on a permanent basis in part linked to the Oversea Nurse recruitment programme.

- **Clinical Consumables**

This area continues to be a significant pressure and we saw an additional cost pressure of £0.3m. There are 80+ subjective lines within this category including secondary care drugs but areas seeing most pressures YTD continue to be blood products, general consumables (M&SE), laboratory products and for Month 5 pacemakers which is under review.

- **Non Delivery Savings**

The Health Board has set a 3.5% savings target for 2023/24, after two years of achieving 4%. In addition there is a further £10.6m of unmet recurrent savings b/f from 2022/23. However there remains a gap in the delivery of savings to meet the target sets which has resulted in a £0.6m variance in Month 5 (deterioration of £0.2m from Month 4) and £4.5m YTD.

- **Prescribing**

Please refer to comments made under Section 3 above.

4.3 Movements In-Month / Forecast Actuals (Table B1)

The keys issues of note from Table B1 against the core heading of (1) PMA = Prior Month Actuals, (2) PMF = Prior Month Forecast and (3) PMFYF = Prior Month Full Year Forecast are provided in the section below:

- Revenue Resource Limit (RRL)
 - PMF/ PMFYF = reflects the increase in the RRL linked to Depreciation and AME allocations, reduction linked to AP 4.1 and additional funding received in Month 5 for RIF/Dementia Action Plan.
- Income Welsh LHB
 - PMFYF = this will reflect any ongoing changes linked to income from other Health Boards/Trusts above the LTAs provided by the Health Board.
- Income WHSSC
 - PMF/PMFYF = assumptions regarding actual WHSSC income will vary month on month depending on the actual performance being undertaken on the Morriston site linked to the various specialist services provided by the Health Board.
- Primary Care Drugs
 - PMF/PMFYF = please refer to comments in Section 3 paragraph 2 above.
- Provider Pay
 - PMF = overall no change in costs but movement between Month 5 and Month 6. Looking for the next 2-3 months to provide a basis for trend and identification of issues following a number of months with backdated pay arrears.
 - PMFYF = No costs have been included in future months for the 5% Medical & Dental pay award which WG have instructed is to be paid. This will be included once the first transactions has been reflected in the ledger.
- Provider Non Pay
 - PMFYF – this line catches all for those items which do not align to the specific headings in Table B, including reserves as referenced in section 4.5(G). In Month 5 there are not significant items driving the £2.9m change but many

smaller items in part linked to the changes in the RRL (excluding DEL/AME) and movement of investment funding from where they are held by the Service Groups in reserves to specific lines on Table B.

- DEL
 - PMF/PMFYF = reflects the additional RRL allocation referred to above in the RRL section of 4.3.

4.4 Actions in Plan to Manage Risks and YTD Variance

Under this section in previous MMR Letters the Health Board has provided details on the actions being driven by the Health Board to mitigate the planned deficit, the variance from plan and the risks detailed under section 3, which have been in place from the start of the financial year. Only updates or additional actions above those reported in previous months are captured below:

- **Enhanced Monitoring** – both Neath Port Talbot Singleton (NPTS) Service Group and the Morriston Service Group remain in enhanced monitoring with the weekly meetings continuing chaired by the CEO. The output of this focus is contributing to the slowing down of both the Morriston and NPTS Service Group overspend rate aligned to the tapering of the plan. For Morriston Service Group there has been a review and subsequent change in the independent financial support following the commencement of the new Service Group Director on 1st September. One of the additional posts will cease in early September leaving one senior and experienced advisor in place supported by the existing Finance PMO to ensure actions to deliver both increased savings and reduced run rate pressure are carefully monitored and kept on track.

4.5 Other Areas of Comment:

- **Energy Forecast (F)**

The financial forecast still remains aligned to the plan. And whilst there has been a recent update on the forecast from £14.5m to £13.3m based on the email from NWSSP dated 7th September, the Health Board needs to work some key issues through before assessing the true impact on the delivery of the plan and these include:

- Level of usage built in and whether the reduced demand from the Morriston site as a result of the solar farm has been reflected correctly;
- What the actual bills have been from Q1 compared to the forecast provided;
- Both points above build on the lessons learnt from 2022/23 where the forecast provided by British Gas and the actual costs were materially different.

- **Uncommitted Reserves (G)**

The Health Board is not holding uncommitted reserves, any reserves it holds are linked to projects (e.g. Recovery Programme) or NICE and are issued on an actual basis. How these committed reserves flow into the relevant lines in Table B are being reviewed, along with the profiling over the remaining months of the Financial Year.

There will be an ongoing review of these funding streams with any slippage utilised as non-recurrent opportunities and declared in future months, to support the entry in Table A.

- **Accountancy Gains (E)**

There are some gains recorded on the savings trackers and all areas are required to review and where appropriate unused accruals from 2022/23 by the end of Month 6. These benefits are being reported through the savings tracker as accountancy gains. The two items referenced in Section one (Annual Leave and Medical Study Leave) linked to the N/R Opportunities and release investments are not currently reported in the MMR as an accountancy gain but are just noted at this point in table A. Once the discussions within the Health Board as detailed above have been concluded these will be added to the savings tracker as an accountancy gain.

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

The Health Board Agency expenditure for Month 5 is £3.204m, which is 5.3% of the overall pay expenditure and is £0.138m lower than the value reported in Month 4. There were overspends in Agency (Medical) but this has been fully offset by decreases in Overtime, Agency (Non-Medical) and WLI, which has contributed to the reduction in pay variance reported in section 4.2.

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 – 62%
- Temporary Absence Cover – 14%
- Additional Support to delivery and performance – 18%
- COVID-19 – 6%

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

Total forecast spend on Table B3 for 2023/24 is currently reported as £11.9M. The breakdown of this by area of COVID is provided below:

	TOTAL
	£ '000
Health Promotion	3,500
Vaccination Programme	5,500
Long COVID	953
Nonsocial	508
PPE	1,492
TOTAL	11,953

7. **Savings (Tables C, C1, C2, C3)**

At 4th September 2023 the weekly internal reporting mechanism within the Health Board reported savings identified in 2023/24 of £22.4m. The tables within the MMR were based on the data at the end of August 2023 and since the data was run, the value of savings identified and reported may have changed compared to the overall value within the Month 5 MMR. The position reported on 4th September 2023 by each areas is provided in the table below:

Service Areas	2022/23 SAVINGS TARGET B/F £M	2023/24 SAVINGS TARGET £M	TOTAL SAVINGS TARGET £M	ACTUAL IDENTIFIED IN 2023/24 £M	SHORTFALL £M
Corporate	1.47	2.66	4.12	5.21	- 1.08
NPTS Service Group	-	4.16	4.16	4.08	0.08
Morrison Service Group	6.51	7.81	14.32	3.00	11.32
MH & LD Service Group	0.87	2.57	3.44	3.31	0.14
Primary Care & Community Service Group	0.96	2.73	3.69	3.69	0.00
Medicines Management	-	2.28	2.28	2.28	0.00
HB	0.82	-	0.82	0.82	- 0.00
Total	10.63	22.20	32.83	22.38	10.45

This clearly shows that the one area of non-delivery remains Morrison, who are in Enhanced Monitoring and for which additional support has been commissioned to work with this Service Group, as reported in previous letters. This table links to our risk assessment table above.

As part of the MMR work we are also monitoring the target of schemes moving from Green to Amber. The table below provides a summary of those breaching along with brief overview of the reason.

Savings Scheme No.	Scheme / Opportunity Title	Current Year Annual Plan £'00	Plan FYE (R Schemes) £'000	Overview
NPTS17	Income Slippage	100	-	Expect scheme to turn green in M6
MORR05	General Procurement	1,000	1,000	Expect scheme to turn green in M6
MORR06	Drugs & Blood Product Procurement	84	84	Expect scheme to turn green in M6
MORR20	Additional Activity Delivery	160	-	Activity delivery is now planned and resource to deliver in place, need to ensure that this resource remains ringfenced and available through the start up phase and demand is as expected before turning green.
	Total	1,344	1,084	

8. Welsh NHS Assumptions (Table D)

Table D reflects a mix of the Agreement of Balances position as at Month 12 2022/23 and in year changes to the LTAs.

9. Resource Limits (Table E)

Table E provides the allocations received and those anticipated by the Health Board.

For COVID the breakdown of the funding is summarised in section 6 above.

Real Living Wage:

For the Real Living Wage the forecast funding detailed in Table E as per the financial plan and is made up of two elements:

	£M
2022/23 Recurrent Funding of £9.50 to £9.90	3.0
2023/24 Funding from £9.90 to £10.90	7.5
Total Anticipated Funding	10.5

The 2022/23 funding has been issued to service providers recurrently as part of the 2022/23 increase in rates.

Work has been going on in the first 5 months with providers to establish the actual costs for 2023/24 and at this point we estimate the impact of the RLW will be less than the £7.5m identified in the plan. Details on the outcome of the work to date and the work outstanding is summarised below and a final update will be provided in the Month 6 submission.

	£M
2023/24 Requirement MH/LD 250 Cases Completed	1.7
2023/24 Requirement MH/LD 150 Cases Outstanding	TBC
2023/24 Requirement Other Care Packages	1.6
2023/24 Requirement Identified To Date	3.3

The anticipated allocation value will be updated in the MMR Table E for Month 6 submission alongside the fully assessed value.

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 £11.112m at the end of July 2023 to £11.297m at the end of August 2023, an increase of £0.185m. The increase mainly relates to drugs stocks across all hospital sites.
- There has been a decrease in trade receivables from £202.126m at the end of July 2023 to £198.778m at the end of August 2023, of £3.348m. This in part relates to a reduction in the VAT Debtor of £1.082m, a reduction in NHS Debtors of £6.9m, an increase in Welsh Risk Pool debtor of £1.9m and an increase in other assets.
- The closing June 2023 cash balance of £2.840m is well within the best practice cash target for the Health Board of £6m.
- The trade and other payables figure saw a reduction from £181.459m at the end of July 2023 to £155.262m at the end of August 2023, a reduction of £26.197m. This comprised a reduction in capital and revenue payables. The reduction in revenue payables mainly relates to reductions in goods received not invoiced, accruals, and other creditors.
- Provisions increased by £9.794m from £177.926m at the end of July 2023 to £187.720m at the end of August 2023. The increase relates to the first quarter quantum reports for clinical negligence, personal injury and GP indemnity claims.

11. Cash Flow Forecast (Table G)

As at the end of August 2023, the Health Board had a cash balance of £2.840m which is slightly over the planned month end cash balance of between £1m and £2m, but well within the best practice cash target for the Health Board of £6m.

Whilst it is still early in the financial year to provide a robust forecast cash position for the year, the cash forecast in Table G is predicated on the forecast I&E year-end deficit as per the plan and a very early assessment of the impact of any movement in working capital balances on the cash position. This early forecast indicates an initial forecast cash deficit (taking into account anticipated allocations) of £120.33m is detailed in the table below:

	£'000
Forecast I&E Deficit	- 86,595
Reimbursement to Capital from Revenue	6,944
Movement in Working Capital Balances	- 43,536
Opening Cash Balance	2,859
Forecast Cash Deficit	- 120,328

The difference between the £120.33m forecast cash deficit and the Forecast I&E deficit, reflects the £6.477m of capital cash to reimburse revenue CRL, and the movement in the working capital balances.

The cash flow is updated daily and a full review of the cash forecast has been undertaken at the end of August 2023, based on the first quarter receipts and payments. The cash flow is updated daily and any changes to the forecast cash position at year end will be reported through these returns.

12. Public Sector Payment Compliance (Table H)

The Health Board achieved the 95% PSPP target for quarter 1 with compliance being 95.8% for the quarter.

NHS payment compliance was, however, below 95% with the quarterly performance being 90.1%. The health board remains focussed on improving PSPP compliance for NHS invoices and ensuring that performance remains above 95% for Non NHS invoices.

Further updates will be reported at the end of Quarter 2.

13. Capital Resource / Expenditure Limits (Table I & J)

The forecast outturn shows an overspend position of £3.507m. Allocations are anticipated on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
Business Case Fees	2.107 / Medium	Funding anticipated from WG.
City Deal – Morriston Access Route Design	0.974 / Medium	Funding anticipated from Swansea Bay City Deal/Swansea University.
Re:Fit Phase 4 – Solar Farm Extension	0.285 / Medium	Funding anticipated from WG Energy Services.

Scheme	£m / Risk Level	Narrative
HCF Minor Projects	0.141 / Low	Funding approved by West Glamorgan Partnership Board. CRL transfer required.

The following allocation is classed as medium risk.

Scheme	£m / Risk Level	Narrative
Morrison Infrastructure Modernisation Phase 2	0.213/ Medium	<ul style="list-style-type: none"> Increased programme timescales and reduced spend profile this year.

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

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

There is a planned property disposal of Garngoch with expected sale proceeds of £0.200m.

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 June. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £10,340 at the end of August 2023 (July 2023 - £58) with the number of invoices in this category decreasing from 1 at the end of July 2023 to 4 at the end of August 2023.

Of the outstanding invoices between 11 and 17 weeks old, 3 invoices (£4,303) have been paid since the end of August 2023.

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

Tables N & O there is no requirement to complete these tables for Month 5.

Table P this has been completed and updated for AP 4.5. Whilst there are uncommitted values against Recovery (£120m), RIF and MHSIF in Table P it is anticipated that all ring-fenced allocations will be committed by 31st March 2024. However work is continuing with regard to the VBHC £1.471m and a further submission is due in on 15th September 2023.

The financial information reported in these Monitoring Returns reflect those reported to the Health Board. These Monitoring Returns incorporate the financials of the following hosted bodies: -

- EMRTS.

From 1st September 2023 in the absence of the Chief Executive, the monthly monitoring return submission will be approved by Darren Griffiths (Deputy Chief Executive) and for the Director of Finance by Samantha Moss (Deputy Director of Finance).

These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee on 26th September 2023.

Yours sincerely,

.....
DARREN GRIFFITHS
DIRECTOR OF FINANCE
ACTING DEPUTY CEO

Emma Woollett, Chair
NHS Financial Management
Mr Jason Blewitt, Wales Audit Office

.....
DR RICAHRD EVANS
INTERIM CHIEF EXECUTIVE