

Dyddiad/Date: 13th February 2019

Mrs Andrea Hughes
 HSSDG – Head of NHS Financial Management
 Welsh Government
 Sam Mynach
 Llandudno Junction
 Conwy, LL31 9RZ

Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 31 January 2020

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31 January 2020. This letter provides the supporting commentary to the proformas.

1. Actual Year to Date and Forecast Under/Overspend 2019/20 (Tables A & B)

(a) Movement of Opening Financial Plan to forecast outturn (Table A)

The Health Board developed a balanced financial plan within the Annual Operating Plan.

Costs	£m	Savings/Funding	£m
2018/19 Underlying Carry Forward Deficit	23.3	Savings	(21.3)
		Non-Recurrent Opportunities	(0.7)
		Actions to mitigate Bridgend transfer impact	(0.0)
2019/20 New Costs		Additional Funding	
Service Costs	42.3	WG Allocation Uplifts	(33.2)
		Income Benefits	(0.4)
		WG Additional Funding Support	(10.0)
Total	65.6	Total	(65.6)

The Health Board's ambition for 2019/20 had been to achieve financial balance and we had developed a plan to support this ambition. That core financial plan excluded the impact of the Bridgend diseconomies of scale. The Health Board recognised its need to mitigate these diseconomies, however the challenge of fully addressing these diseconomies in year one has been highlighted.

The Health Board has a forecast savings delivery including income generation and accountancy gains, of 19.4m against the initial financial plan savings requirement of £22m.

Whilst relatively good progress has been made on savings, the Health Board has experienced significant in-year operational pressures, the main drivers being unprecedented and prolonged unscheduled care pressures resulting in additional costs to maintain surge capacity, meet workforce requirements, the knock-on impact on income received for commissioned services, and rising Continuing Healthcare costs.

The Health Board has recognised the impact of category M drugs price increases, final pension charges and the Welsh Risk Pool risk share within its revised forecast. In addition the forecast also recognises the impact of the change in discount rate and a new personal injury claim, which have materialised this month.

The Health Board has identified £0.4m of mitigation opportunities against the Bridgend diseconomies of scale and is grateful for the Welsh Government's support in agreeing the £2m transitional cost transfer from Cwm Taf Morgannwg University Health Board which has been agreed and transacted in the last month.

The Health Board at its meeting on 28th November received a detailed report on the performance and financial trajectories and a range of actions to support improvement. The Board agreed the implementation of a range of actions and recognised that this would deliver at best a year-end deficit of £12.3m.

The Board has re-assessed the forecast delivery confidence in light of the most recent financial reporting and the delivery impact of the additional actions agreed at the Health Board meeting on 28th November.

Given the continued financial pressures, the Board has notified Welsh Government of a change in forecast from £12.3m to £16.3m.

(b) Monthly Positions (Table B & B1)

The Month 10 reported position is an overspend of £12.296m. This overspend reflects workforce pressures linked to operational pressures and patient acuity, growth in ChC patient numbers, and income risks associated with lower elective activity levels due to unscheduled care pressures. It also reflects the challenges of delivering the required level of savings, particularly those required to manage the diseconomies of scale following the Bridgend Boundary Change.

The in-month financial position is an overspend of £1.195m. It was recognised last month that significant improvement was required in the financial performance in the remaining months to ensure the current £12.3m year-end forecast was delivered, however further unprecedented winter pressures, which have adversely impacted operational costs and the Health Board's additional spending controls, have resulted in the January position being £0.583m adrift of the in-month forecast. This has resulted in the year-end forecast being increased from £12.3m to £16.3m.

2. Underlying Position (Table A1)

The Health Board underlying carry forward position moving into 2019/20 was assessed at £30.4m based on the former ABMU Health Board. The Swansea Bay University Health Board financial impact assessment undertaken as part of the Bridgend Boundary Change

identified £7.1m of this underlying deficit as relating to the Bridgend population and the services they access and therefore transferring CTMUHB. The balance of £23.3m underlying deficit is recognised in the Health Board opening financial plan.

The full impact of additional in year operational expenditure due to operational pressures and of savings plan performance on the underlying position moving into 2020/21 has been assessed as part of the IMTP planning process. The initial high level assessment indicates an underlying position of around £28m, this is continuing to be further refined and based on current information could be higher.

3. Ring Fenced Allocations (Tables N & O)

Tables N and O are not required to be completed in month 10. A balanced position is currently anticipated on all ring-fenced allocations with the exception of GMS and Dental which have an anticipated surplus of £655k and £84k respectively.

4. Net Expenditure Profile Analysis (Table B & B1)

Resource Limit – at the end of month 10 the Revenue Resource Limit is under-phased by £7.3m.

Reserves are not profiled in a straight line across all categories within Table B, the elements of the difference are explained in the table attached to this letter.

To date, the key pressure areas are:

- Pay – due to the increasing use of premium rate agency supporting additional surge capacity and cover sickness absence and vacancies.
- Non-Pay – due in the main to under delivered and unidentified savings requirement.
- Drugs – due to increasing in expenditure on MS and cancer drugs.
- ChC – pressure of case number growth.

Pay expenditure was £0.7m above forecast reflecting additional bank and agency costs as a result of winter pressures.

Secondary Care Drugs was £1m above forecast highlighting increasing NICE costs, particularly for MS and Cancer drugs.

Healthcare Services provided by other NHS Bodies was also £0.8m higher than forecast due to recurrent WAST costs.

Joint Financing and Other was £1.9m below forecast as ICF invoices from councils and voluntary sector organisations have not been received as anticipated, the profile of the spend has been amended to reflect this.

5. Agency/Locum Expenditure (Table B2)

The Health Board Agency expenditure for Month 10 is £2.250m, which is 4.9% of the overall pay expenditure. This is the highest proportion of agency spend this financial year.

The year-to-date agency expenditure for 2019/20 is £4.6m higher than the same period in 2018/19 (adjusted for Bridgend).

The increase primarily relates to nurse agency costs, which increased during 2018/19 and have remained high during 2019/20. This reflects the sustained and unprecedented operational pressures being experienced, including high levels of sickness absence, and the additional capacity in place to support the operational pressures.

The key reasons for Agency expenditure in month are:

- Vacancy Cover – 64%
- Temporary Absence Cover – 11%
- Additional Support to delivery and performance – 25%

6. Savings Plans (Table C, C1, C2 and C3)

The Health Board initial core financial plan identified a £21.3m savings requirement for 2019/20 to support the delivery of a balanced financial plan. This savings requirement did not include any actions required to mitigate and manage the impact of the Bridgend Boundary Change clinical and corporate management diseconomies of scale. The Bridgend diseconomies are now being incorporated into the overall approach to delivery through the Delivery Support Team and the Health Board more broadly.

The Health Board savings plan comprises three elements: local savings, cost containment and management, and High Value Opportunities.

The Health Board plan identified an opening level of savings of £18.151m. This includes £0.981m Income Generation and £0.3m Accountancy Gains, which do not show on Table C.

The initial savings plans have under-delivered by £4.797m.

A further £6.087m of savings have been identified with a high level of delivery assurance.

The Health Board is forecasting savings delivery, including income generation and accountancy gains of £19.4m.

The Health Board is continuing to work through the KPMG opportunities pipeline to identify and drive improved delivery and bring forward opportunities into 2019/20 and ensure 2020/21 opportunities are developed to deliver at the start of the financial year.

7. Income Assumptions 2019/20 (Tables D & E)

Table D sets out the income and expenditure assumptions with other Health Boards based on current LTA and other income and expenditure assumptions. These are subject to further refinement as the Bridgend impacts become clearer.

Table E provides the allocations anticipated by the Health Board. These include:

- The SBUHB income allocation based on the Welsh Health Circular 2018 050 - 2019-20 Health Board and Public Health Wales NHS Trust Allocations; and

- the £10m additional WG non-recurrent funding support which has been received in February.

Transformation Fund allocations received and anticipated are being fully utilised for the purpose for which they have been awarded.

8. Health Care Agreements and Major Contracts

All LTAs were signed off by the end of May.

9. Risk Management (Table F)

The Health Board has considered its key risks and opportunities. These have been amended to reflect the forecast position and the elements included in the forecast. The Health Board would wish to highlight the following:

- WG Additional Funding Support – the Health Board financial plan includes the anticipated allocation of additional WG funding support of £10m, this risk has now been removed as the allocation was received in February.
- Transitional support not provided – this risk has now been removed since the allocation was received from Welsh Government in January.
- Further mitigating actions (renamed KPMG risk adjustment in month 8) – this has been built into the revised forecast.
- Performance – the Health Board has received £6.5m of performance funding to support planned care performance. The current operational pressures, emerging clinical pressures and HMRC issues are putting at risk the ability to achieve the planned RTT performance improvement. It is assumed in the forecast that this funding will remain with the Health Board.
- Local Authority Issues – an agreement has been reached with the Local Authorities on the disputed invoices, therefore the risk and opportunity have been removed from Table F and the impact included in the revised forecast.

The Health Board has included two potential opportunities:

- Further Bridgend Boundary Change Transitional support – has been removed as an opportunity as the value of transitional support has now been agreed as £2m.
- KPMG Opportunities Pipeline – KPMG have identified opportunities with a 2019/20 impact, the grip and control elements of these have been included in the further actions agreed by the Board. There are also a number of productivity and efficiency gain opportunities identified, these opportunities have now been removed due to timescales and winter pressures.

10. Statement of Financial Position (Table G)

The S1 and S2 transfer documents detailing the balances to transfer to Cwm Taf Morgannwg Health Board as a result of the Bridgend boundary change have been signed off by Swansea Bay Health Board and forwarded to Cwm Taf Morgannwg Health Board for sign off. The health board is awaiting agreement from Cwm Taf Finance colleagues to start the process of transacting the balances through the health board's financial ledgers.

The balances included in Table G at 1 April 2019 and 31 January 2020 are the balances prior to disaggregation, less those balances cleared during the period, representing the actual ledger figures at these dates. The forecast closing Statement of Financial Position at 31 March 2020 reflects the forecast closing Statement of Financial Position for the Swansea Bay University Health Board incorporating the audited S1/S2 figures.

The key issues in respect of the statement of financial position movements are as follows:

- The inventory value reduced from £10.680m at the end of December to £10.583m at the end of January, a reduction of £0.097m, this being due to a reduction in drugs stocks at Morriston and Singleton Hospitals.
- There was an increase in trade receivables in month from £171.520m at the end of December to £185.287m at the end of January, an increase of £13.767m. The main increase was in the Welsh Risk Pool debtor which increased by £10.239m following receipt of the latest quantum reports issued from NWSSP Legal and Risk Services. This increase is offset by an increase in provisions. In addition there was an increase of £2.260m in NHS Debtors following the issuing on quarter 3 invoices for services provided, as well as smaller increase in trade and other debtors following the issuing of the quarter 3 invoices.
- The closing January cash balance of £1.354m was in line with the month end cash target set by the health board of between £1m and £2m.
- The trade and other payables figure saw a reduction from £175.003m at the end of December to £174.080m at the end of January, a reduction of £0.923m. This reduction was primarily in capital creditors which reduced in month by £1.045m. Due to the Bridgend boundary change, there has been a reduction in trade and other payables of £17.269m since 1 April, with the reduction in creditors reflecting the impact of clearing the payables balances at year end relating to services which transferred to Cwm Taf Morgannwg Health Board on 1 April 2019.
- Provisions increased from £149.552m at the end of December to £161.010m at the end of January, an increase of £11.458m. The increase was in clinical negligence provisions following receipt of the latest quantum reports issued from NWSSP Legal and Risk Services, the opposite entry to this increase being in Welsh Risk Pool debtors.

11. Cash Flow Forecast (Table H)

As reported above, at the end of January, the health board had a cash balance of £1.354m, which is in line with the health board target of holding between £1m and £2m of cash at month end.

The requirement to ensure that all balances linked to the Bridgend boundary change are transferred in cash has resulted in a significant deterioration in the health board's working balances position in 2019/20. This one off impact has been recognised by Welsh Government and working capital cash support of £23.687m has been provided, this

support covering the forecast deterioration in working capital balances associated with the boundary change (£19.657m), the reduction in revenue working capital balances remaining within Swansea Bay Health Board (£3.003m) and the cash impact of the reduction in provisions (£1.027m). Further strategic cash support of £12.3m has been provided to support the forecast deficit reported by the health board and identified in the Chief Executive letter to Andrew Goodall of 12 December 2019.

In addition to the revenue working capital cash support and strategic cash support provided, there is a requirement for £10.107m of working capital cash to support the forecast deterioration in capital creditors. This cash which has not yet been approved needs to be added to the CRL as the full cash amount available under the CRL has now been drawn down. In addition as a result of the increase in the forecast deficit, there is a requirement for a further £3m in strategic cash support to cover the cash impacts of the increase in the deficit.

Therefore, based on the approved cash allocations and the receipt of all anticipated allocations listed in table E, the health board is forecasting a cash deficit of £11.011m. This deficit is mainly due to the reduction in capital working balances and associated £10.107m capital cash requirement and the additional £3m strategic cash support required.

12. Public Sector Payment Compliance (Table I)

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

13. Capital Schemes and Other Developments (Tables J, K & L)

Table J - 2019/20 Capital Resource Limit Management

Table J reflects the CRL of £30.731m issued on 7 February 2020.

A number of schemes are showing a variance compared to the allocation. Unless these are identified in the risk assessment below, this is a planned variance to reflect the recovery of fees spent in prior years. In the case of National Clinical Systems and the Air Handling Unit for Obstetrics Theatre, the Health Board is making an agreed contribution to the scheme from discretionary capital.

Performance to Date

The reported financial performance at Month 10 is a £2.175m underspend to plan. The main areas of variance are shown below.

Scheme	Underspend to Plan M10 £'000	Comments
Ward 11 & 12 Asbestos, Singleton	305	Asbestos strip completed in ward 12 which was handed over on time in December. Four week delay with some unanticipated asbestos removal on ward 11. See risk assessment below for detail on savings with main asbestos strip.

National Digital Fund	497	Issues with procurement, which have been resolved and are not expected to impact on the outturn position.
Discretionary	962	Delays with RFID rollout and EDCIMS but not anticipated to impact the forecast outturn. Delays with appointment of design team on Morrision Access Road.

Forecast Outturn

The forecast outturn against the current CRL shows a breakeven position with no anticipated allocations.

B. Table K - In Year Capital Scheme Profiles

Risk Assessment

The risk assessments on schemes which are not considered to be low risk are:

Scheme	Risk Profile	Risk Value £'000	Comments
Cladding Removal Works Singleton Hospital	High	204	Scheme is forecasting an overspend of £21k against the original allocation plus additional fees for phase 2 which have been agreed by Welsh Government and will be funded within the phase 2 allocation.
Ward 11 and 12 Asbestos Removal, Singleton	High	317	Following completion of the main asbestos strip on wards 11 and 12, savings have been identified of c£300k. Following discussion with WG on 10 February, it was agreed that this underspend will be managed by the health board and re-provided to the scheme from discretionary next year.
NPT MRI	High	400	Scheme is delayed due to issues with the PFI contractor and their contractor. Issues now resolved but delays to deliver of the Faraday Cage will impact on programme. Risk Value relates to agreed transfer of spend for items that can't be capitalised.
Re:Fit	High	511	As agreed with WG, we are managing the scheme across 19/20 and 20/21 within the Health Board capital position.
Gamma Cameras	High	173	Design work requirements reduced this year awaiting service decision on control room location.
Neonatal/TCU	Medium	33	Small overspend linked to the ongoing Ward 11 and 12 Asbestos Removal works at Singleton.

C. Table L - Capital Disposals

It is anticipated that the sale of Glynneath Clinic will complete in 2019/20.

The sale of Coelbren was previously anticipated to be during 2019/20 but due to a lack of interest we are now anticipating that the sale will complete in 2020/21.

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 January. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £188k at the end of December (December £102k) with the number of invoices in this category reducing from 16 at the end of December to 6 at the end of January. Of the outstanding invoices between 11 and 17 weeks old, two have been paid since the end of January.

There were 2 invoices outstanding for more than 17 weeks at the end of January both relating to Cwm Taf Morgannwg Health Board. Both of these invoices were agreed for payment as part of the month 8 agreement of balances exercise and confirmation has been received that these invoices will be paid, although a definitive date for payment has yet to be provided by Cwm Taf Morgannwg Health Board.

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.

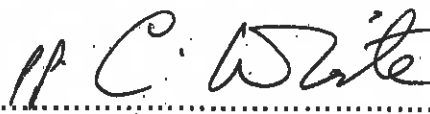
These Monitoring Returns will be received by the Health Board's Performance and Finance Committee on 25 February 2020.

Yours sincerely,



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LYNNE HAMILTON
DIRECTOR OF FINANCE

Emma Woollett, Interim Chairman
NHS Financial Management



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TRACY MYHILL
CHIEF EXECUTIVE

Assistant Directors of Finance
Mr Jason Blewitt, Wales Audit Office

