

Dyddiad/Date: 15th June 2022

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 31st MAY 2022

I enclose for your attention the completed proformas in respect of the Health Board's Monitoring Returns to 31st May 2022. This letter provides the supporting commentary to the proformas and Action Point Schedule in response to your letter of 31st May 2022.

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

The Health Board (HB) has developed and submitted a draft 3-year recovery and sustainability plan within which the financial plan results in an anticipated deficit of £24.4m, this is a reduction from the opening position by £17.7m.

SBUHB Financial Plan 2022-23	Updated Assessment
	£m
Opening deficit	24.4
FY21 savings gap	17.7
FY22 savings gap	0.0
2022/23 opening position	42.1
WG Allocation applied against sustainability	(12.4)
Savings required to manage FY21 Savings Gap	(5.3)
2022/23 underlying position after sustainability application	24.4
Application of core WG funding based on 2%	(9.7)
Cost pressures - National - core	7.1
Cost pressures - inflation	9.9
Cost pressures - demand growth	7.4
Investment decisions - 2022-23	7.0
CIPs - Service Transformation 2.5%	(17.0)
CIPs - General Savings 1.5%	(4.7)
Deficit/(surplus) for year 2022-23 - base plan	24.4

This plan is reflected in the opening section of Table A.

2. Underlying Position (Table A1)

The underlying position b/f reflects the £42.1m, with the in-year adjustments in Table A1 resulting in a c/f deficit of £24.4m. The movement between opening and closing is a reflection of the delivery of the savings and as such has been reflected in Column D of the table. The basis of the entries in Column D attempts to reflect the recurrent impact of the 2021/22 savings schemes and where there these have impacted as per the categories. Whilst this is supported by a detailed working paper there are some assumptions as to how this will have manifested through the headings in both section A and B, but there is a clear methodology for this change.

3. Risks (Table A2)

The Health Board included key risks and opportunities within its 3 Year Recovery and Sustainability Plan submission and these will be refined as the year progresses. Also at the request of the Health Board's Performance & Finance Committee a detailed monthly review will be undertaken to assess likelihood and impact, which will help inform the MMR submission going forward.

The key items in Table A2 at Month 2 are: -

- LTA Go Live – the £7.2m is the potential scenario if performance remains at 2021/22 levels assessed against the LTA contracting methodology for 2022/23. Due to the delays in clinical coding and the requirements for a number of months data to gauge the performance it is likely this figure will remain unchanged until the latter half of Q2.
- Savings Delivery – The savings targets for 2022/23 is £27m. On the basis that during May 2022 the total identified schemes including Red now stands at £23m the risk included in Table A2 reflects the non-delivery between the £27m and the £23m = £4m. However, the likelihood is recorded as low as the CEO has set a target for 100% of schemes to be identified by mid-June 2022 and furthermore that by the end of June 2022 all red schemes have translated into Amber / Green. The continued focus by the CEO with those Service Areas who have not yet met the target through regular meetings is also seeing the performance in savings improving. The table below shows that the Health Board is moving in the right direction on a week by week basis, not just in the total identified but also in the movement from red to amber to green. This information and the detail behind this is provided weekly to the Executive Team to ensure savings remain high profile.

Extract from Weekly Savings Report issues 8th June 2022:

	TOTAL IDENTIFIED £M	GREEN £M	AMBER £M	RED £M
W/C 06/06/22	23.0	13.4	4.7	4.9
W/C 30/05/22	22.5	13.1	4.7	4.7
MOVEMENT	+0.5	+0.3	0.0	+0.2

- Learning Disability Commissioning Arrangements – as a regional provider of LD services the Health Board has agreed to invest resources into the delivery of additional LD services, which was estimated to cost £1m. As this is now an operational issue this has been removed from the Table A2 in Month 2.

- WAST Transition Plan Full Year Impact – this is the additional funding requested by WAST/EASC above the 3 year plan which at this point the Health Board has not agreed to fund as it was outside the Integrated Medium Term Plan (IMTP) for EASC.
- Cwm Taf Morgannwg (CTM) SLA Disaggregation (1) – There are ongoing discussions via the Joint Executive Group between the two Health Boards on the Bridgend Boundary Change SLAs linked to Neath Port Talbot (NPT) site/services and when current arrangements may cease/change. There is a potential risk for Swansea Bay University Health Board (SBUHB) as a result of these changes of £1m, however the latest meeting on 9th June 2022 indicated that any change is unlikely to go live until Q4. The next meeting on the Joint Executive Group is in September 2022 and so a further update on this risk is not anticipated until the Month 6 submission.
- CTM SLA Disaggregation (2) – SBUHB has been providing digital services to CTM via an SLA linked to the Bridgend Boundary Change. Both Health Boards are in discussions on working to mutually agree the unwinding of the agreement, which has the potential to leave stranded costs within SBUHB. Again this will continue to be reviewed as part of the Joint Executive Group between SBUHB and CTM. However, between Month 1 and Month 2 the potential impact for 2022/23 has been reduced to reflect the latest information provided by SBUHB Digital Services.
- Service Group Pressures – In addition to CHC and energy there are increasing pressures linked to (1) premium costs of agency staff and (2) general inflationary pressures in non-pay. The £4m is an indicative figure pending the work at end June/early July 2022 to provide an indicative operational forecast figure for the four Service Groups and Corporate Directorates. Further updates will be provided on this in Mth 4 MMR following completion of the work.
- COVID Recovery – Of the £21.6m the Health Board has committed £5.4m at the end of Month 2. Work on the forecast for the year shows a risk that if all activity planned is delivered there is the potential for a £3.4m over commitment. The Recovery funding is reviewed continually to ensure it remains in line with the allocations and is reported in detail to the Performance and Finance Committee and the Board but there is a low risk of over commitment. As the year progresses choices will be made to manage this within the funding envelope.
- CHC Growth – this was a new addition to the risks based on some of the indicative data from Month 1, with one individual MH/LD CHC case likely to cost £1.3m. Whilst the CHC position has stabilised in Month 2 this is a volatile area and will be kept under review.
- Energy Funding Assumptions – the 3-Year Recovery and Sustainability Plan was based on the recurrent budget with the planning assumptions that any pressures above this being funded by Welsh Government (WG). This is slightly different to the anticipated funding now reported through the additional submission in the MMR. Some of this difference has impacted the Month 2 position but the remaining £0.1m has been included as risk at this point in Table A2. This remains an area that will be kept under review for the foreseeable future.
- Covid Transition and Extraordinary Pressures – reflects the risk that the HB has assumed full funding, in line with the WG direction, within the position for these areas. Should the funding not be available it is highly likely to impact on the Health Boards ability to deliver on the 3-Year Recovery and Sustainability Plan.

4. Monthly Positions (Table B)

The in-month reported position for Mth 2 is an overspend of £2.387m, which is £0.353m higher than the planned position of £2.034m. For the YTD the £4.635 is £0.567m off profile. Whilst we have disclosed an increase above plan in Month 2 it is anticipated this will be offset in future months by Non-Recurrent benefits, cost containment and improved delivery of the savings.

In summary the key issues were: -

- Income = Overachieved in month, which offsets pressures from Month 1
- Pay = Underspend – the underspends in Month 1 were supporting the Non Pay pressures. In Month 2 there has been a marked increase in Agency spend which has impacted on the overall Month 2 position, as the overall pay underspend in month has reduced by £0.2m.
- Non Pay = Overspend – whilst there were pressures in areas such as clinical consumables the most significant pressures were as a result of:
 - CHC - whilst MH/LD costs reduced from Month 1, General CHC packages increased in Month 2. Both the General and MH/LD are primarily being driven by the cost of packages as opposed to the volume of packages.
 - Energy - linked to the comments of Energy Funding under Risk an overspend has been reported in Month 2 to reflect different approaches in funding assumptions.
 - Savings – whilst the Health Board is driving forward the full delivery of the £27m, the profiling of savings budget (equally over the 12 months) has meant an increase in non-delivery in month which is reflected in the ledger. When the delivery addresses the agreed target of £27m for the year this shortfall will become a surplus in future months and support the recovery back to the £24.4m deficit position.

With regard to the additional table in Table B (Section B) the assumptions supporting its completion remains as per Month 1 as the Health Board does not report in the structure required and so has had to estimate the allocation to the various categories.

The uncommitted reserves reported in Table B in Month 1 have been reviewed and updated to ensure the transfer of ownership at an early stage of the year to relevant area/service, and commitments against these budgets will be a core focus for the Performance & Finance Committee as they are above the standard core operational budgets. So for example, areas like the Investment Programme agreed within the 2022/23 3 Year Recovery and Sustainability Plan, RIF, COVID Transition and COVID Recovery will be reported in totality to support the overall governance and control of the commitments and ensure that expenditure remains within the funding envelope outlined in the IMTP. The Performance and Finance Committee and the Board have agreed a budget management plan for the Health Board which clearly sets out how our reserves will be applied.

At the end of Month 2 the Revenue Resource Limit is under-phased by £6.7m, the reasons for this can broadly be described as follows but the HB will continue to undertake further work on this as the year progresses: -

- RIF (previously ICF) expenditure expected in Q4*

- NICE drugs expected growth
- Primary Care costs
- CHC expected growth and inflation
- Commissioner contracts
- COVID Transition*
- COVID Recovery*
- Extended Flu
- Winter Pressures
- Reinvestments to drive Service Change and Efficiency*

*- there will be focused scrutiny on these areas linked to the paragraph above and the reporting requirements of Performance & Finance Committee.

5. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 2 is £3.208m, which is 5.8% of the overall pay expenditure and is £1.079m higher than the same period in 2021/22.

In Month 2 £0.3m of the increase in agency expenditure relates to medical agency, with the remaining change linked to non-medical agency including registered and non-registered nursing. At a service level the Morryston Service Group medical agency growth represented the majority of the £0.3m, along with a proportion of the non-medical agency growth, which is currently being investigated. There were also increases in agency spend associated with Digital Services and Hotel Services.

The key reasons for Agency expenditure in month are set out in the bullets below: -

- Vacancy Cover – 41%
- Temporary Absence Cover – 21%
- Additional Support to delivery and performance – 19%
- COVID-19 – 19%

6. COVID-19 (Table B3)

The total for Table B3 is £63.1m, which includes both national programmes and those areas linked to COVID Transition. A breakdown of this is provided in section 9 of the report by the various areas.

Whilst there has been a small reduction in the overall forecast the Health Board acknowledges this is not to the level anticipated by WG following the recent COVID guidance. To assist the reader in clarifying the SB position the key points of note have been provided below: -

- The CEO and DOF are undertaking quarterly review/challenge meetings with the Service Groups to challenge the funding requirements provided linked to COVID Transition. The latest rounds were completed in May and the next meetings are scheduled for July 2022.
- Following these meetings each Service Group has a set of actions, issued by the CEO for review at the next quarterly meeting.
- On receipt of the WG guidance the Health Board has provided de-escalation guidance to all Health Board staff, published on 9th June 2022.

- Service Groups now need to understand the impact of this on its service and implement the changes in line with the updated guidance.
- Only when this is complete by the service can the Finance Business Partners fully assess the financial impact of these changes on the COVID Exit plans.
- This is likely to correspond with the next CEO/DOF Challenge sessions.
- Therefore, it will take a number of months to fully assess the impact and this to then be reflected in the MMR submissions.

The funding, above the national programmes is also recognised as a risk within Table A2, as at this point no funding has been confirmed by WG and the Health Board may be required to manage this as part of its wider financial position.

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

A summary of the savings position as reported in w/c 6th June 2022 is provided in the Table below:

	Mth 1 £M	w/c 6th June 22 £M
Target 2022/23	27.0	27.0
Green & Amber	17.2	18.1
Red	4.6	4.9
Total Identified as at 31st May	21.8	23.0
Shortfall in Value	5.2	4.0
Shortfall %	19%	15%

Of note is that over the 4-5 weeks between Month 1 and 6th June 2022 a further £1.2m of savings has been identified and as per the table under Section 3 on Risks, the Health Board is monitoring progress on a weekly basis with this focus driving the movement of schemes from red to amber and green, as well as the identification of further schemes. Therefore, whilst the HB still has a recognised gap there is progress against each week against the target of £27m.

Work is continuing to focus on four priority areas: -

- Increasing RAG statuses from Red to Amber Green to increase assurance of delivery;
- PMO reviewing how to increase overall tracker achievement to improve against target;
- Profiling of savings to ensure in year run rate of savings in line with the requirements of the 2022/23 budgets.
- Weekly reporting across the Health Board to maintain a focus and visibility of the challenge.
- External expertise has been brought in to review the operating model of the savings Programme Management Office and to support areas where savings delivery has not yet attained target levels.

As outlined within the Risk section the CEO, has also set clear targets for delivery by the end of June 2022 and will continue to meet those Service Groups who continue to fail to meet the targets set.

The position at the end of June 2022 on Savings alongside the work mentioned under the Service Group Pressures Risk for completion in early July 2022 will provide an indicative operational forecast figure for the four Service Groups and Corporate Directorates. Further updates will be provided on this in Month 4 MMR following completion of the work.

8. Welsh NHS Assumptions (Table D)

Table D reflects the Agreement of Balances position as at Month 12 2021/22.

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 received and anticipated is summarised in the table below and links directly to forecast included in Table B3:

RRL COVID Allocations	2022/23 Forecast @ mth 1	Total By Type
	£'000	£'000
National Programmes: Tracing	5,600	20,376
National Programmes: Testing	2,178	
National Programmes: Mass Vaccinations	6,565	
National Programmes: PPE (Exc Stores Staff)	4,947	
National Programmes: Long COVID	578	
National Programmes: Nonsocomial	508	42,760
COVID Transition: Cleaning Standards	1,906	
COVID Transition: Extended Flu	1,190	
COVID Transition: Dental Income Shortfall (as per WG Letter)	1,418	
COVID Transition: Dental Income Shortfall (Balance)	398	
COVID Transition: Other	37,848	
Total Table B3	63,136	63,136

For extraordinary pressures the three items are detailed in the table below:

Extraordinary Items	2022/23 Forecast @ mth 2 £'000
NI Health & Social Care Levy	6,929
RLW (Care Homes Only)	1,581
Energy Costs (inc Non BG items)	8,334
TOTAL ALLOCATION	16,844

The basis of these values are as follows: -

- NI = as per Month 1 report and no change.
- RLW = as per Month 1 and no change (confirm this is only for Care Home element and not staff employed by SBUHB).
- Energy = this is based on the calculation on Table A within the 'Exceptions MMR' Submission using the latest British gas forecast provided in early June. As outlined

within Section 3 on Risks, the £8.3m is less than the anticipated funding based on the budgets included in the IMTP (please refer to section 3 for full details).

10. Statement of Financial Position (Table F)

There is no requirement to complete this table until Month 3.

11. Cash Flow Forecast (Table G)

As at the end of May 2022, the Health Board had a cash balance of £1.536m which was within the planned month end cash balance of between £1m and £2m.

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 year end deficit 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 £39.699m as detailed in the table below:

	£000
Forecast I&E Deficit	-24,400
Movement in Revenue Working Balances	1,967
Movement in Capital Working Balances	-21,664
Opening Cash Balance	4,398
Forecast Cash Deficit	-39,699

Aside from the forecast I&E deficit for which strategic cash support will be required, the biggest cash issue is the significant forecast reduction in capital creditors of £21.664m. Given the current CRL, all available capital cash will need to be drawn down by August 2022 to meet the clearance of the closing 2021/22 capital creditors. Without the ability to draw down capital working capital cash at that stage then revenue cash will need to be drawn down in order to meet ongoing capital cash payments. The cash flow is updated daily and a full review of the forecast will be undertaken at the end of June, based on the first quarter receipts and payments.

12. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table until Month 3.

13. Capital Resource / Expenditure Limits (Table I)

The forecast outturn shows an overspend position of £2.883m. Allocations are anticipated on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
Business Case Fees	1.814 / Medium	Funding anticipated from WG.
Open Eyes Ophthalmology	0.077 / Medium	Funding anticipated from WG.
WICIS	0.027 / Medium	Funding anticipated from WG.

Scheme	£m / Risk Level	Narrative
City Deal – Morriston Access Road Design	0.965 / Medium	Funding anticipated from City Deal.

The following allocations are classed as medium risk.

Scheme	£m / Risk Level	Narrative
Singleton Cladding	1.000 / Medium	The spend profile for the Singleton Cladding scheme is currently under review with the contractor to ensure it meets the latest programme estimates. We are also expecting additional information within the next two weeks on costs for additional works on Ward 5. We expect to have a better estimate of the 22-23 position at month 3 and thus have classified this as a medium risk for month 2 reporting. Whilst the project may slip on its spend estimates this year, there is a reasonable chance that the overall project will have insufficient contingency to manage all the variations.

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

14. Capital Disposals (Table K)

There are planned equipment disposals in relation to Ultrasounds purchased in 2021/22 with expected sale proceeds of £1.998m. The reported forecast outturn position assumes that the £1.998m disposal income will be received.

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 May. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £94k at the end of May 2022 (April - £107k) with the number of invoices in this category increasing from 7 at the end of April to 18 at the end of May 2022. Of these 11 relate to Aneurin Bevan Health Board, mainly in respect of drugs issues to pharmacies in the Aneurin Bevan Health area. We are working with Finance colleagues in Aneurin Bevan to identify the reasons for the delays in payment of these invoices. Of the outstanding invoices between 11 and 17 weeks old, two have been paid since the end of May 2022.

There are 3 invoices outstanding for more than 17 weeks at the end of May 2022 and as these were all agreed as part of the year end agreement of balances the health board is actively pursuing confirmation of payment dates for these invoices.

16. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables until Month 6.

A balanced position is currently anticipated on all ring-fenced allocations.

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
- EMRTS.

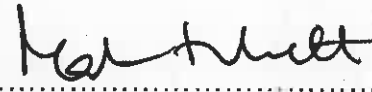
In the absence of the Chief Executive or the Director of Finance, the monthly monitoring return submission will be approved by Dr Richard Evans (Deputy Chief Executive) and Samantha Moss (Deputy Director of Finance), respectively.

These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee for the meeting scheduled on 28th June 2022.

Yours sincerely,



DARREN GRIFFITHS
DIRECTOR OF FINANCE



MARK HACKETT
CHIEF EXECUTIVE

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