

Dyddiad/Date: 13th June 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 MAY 2023

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

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

The Health Board (HB) developed and submitted a draft 3-year plan at the end of March 2023 showing an anticipated deficit of £69.9m. Following a further review in May 2023 the plan was updated to reflect the following changes:

- Removal of income assumptions regarding COVID;
- Reduction in the energy assumptions by £3m;
- Reduction in cost pressure linked to disaggregation of an SLA with CTMUHB, which is delayed until 2024/25.
- Re-assessment of all risks to de-risk the plan.

The revised plan at 31st May 2023 reported a deficit of £86.6m.

	YEAR 2 2022-2025	CURRENT
	IMTP	ASSESSMENT
	EM	EM
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

The updated plan is reflected in the opening section of Table A and also includes the change linked to AP1.1. Within table A we have attempted to reflect some of the tapering reference in section 4.1 but without changing the closed period of Month 1.

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 identified in full this has pushed the closing underlying deficit position to £103.4m, as reported in Table A1. This will be updated through the year as the recurrent element of the savings are developed.

3. Risk Management (Table A2)

Following the re-assessment of risks as part of the resubmission on 31st May 2023 the Health Board has grouped together risks to keep a focus on the 4 core areas that may impact on the delivery of the plan. These are the risks recognised and agreed by the Board and for consistency will be reported to the Board and Performance and Finance Committee each month. Where applicable further detail may be provided in future letters on key areas that may be impacting on performance under these four headings, e.g. CHC or Prescribing growth. The risks at the 31st May 2023 are:

Risk	Opening Plan	Updates Since	Review Plan	Revised Risk
	31/03/22	01/04/23	31/05/23	
	£M	£M	£M	£M
Run Rate	27.9	- 2.5	- 4.0	21.4
COVID Transition	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	-	9.4	-	9.4
Savings	22.2	- 10.6	- 6.3	5.3
Total Assessment of Risk	63.5	- 5.9	- 10.8	47.3

The overall actions to mitigate risks above are included in the section 4.4 below. At the time of writing the MMR letter further opportunities to de-risk the plan have been identified. Weekly meetings are now in place with Chief Executive and Director of Finance meeting Morriston Service Group and Neath Port Talbot singleton Service Group to continue to identify savings and address run rate pressures.

As noted within Section1, within the revised plan the following changes were made: (1) removed in the energy assumptions by £3m and (2) reduction in cost pressure linked to disaggregation of an SLA with CTMUHB by £1.5m. These entries had previously been reported in Month 1 as an opportunity and so have had to be removed Table A2 in the Month 2 submission.

As requested in AP1.2 we will continue to update the Table A2 throughout the year.

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	Actual Performance	Variance From Plan
	£M	£M	£M
Mth 1	7.9	10.9	3.0
Mth 2	9.4	13.7	4.2
Mth 3	8.4		
Mth 4	7.4		
Mth 5	7.4		
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	24.5	7.2

An element of the tapered profile has been included in Table A, but not the full profile as that would require a change to Month 1, which has already been submitted.

Linked to the table above, at the end of Month 2 the planned trajectory was set at (£7.9m+£9.4m) £17.3m however the actual position at Month 2 is (£3.0m+£4.2m) £7.2m over the profile. Further details on the reasons for this are provided in section 4.2 below.

4.2 Movements In Month / YTD Variance

The variance between Month 1 and Month 2 has deteriorated by £1.2m, £0.1m linked to a further loss in Dental Income and £1.1m from the increased overspend from the Morriston Service Group. The key areas over movement across the Health Board between Month 1 and Month 2 is summarised in the commentary below:

- **Income**

Further deterioration in the delivery of income, primarily this relates to the income from our commissioners and in particular WHSSC and the delivery of the WHSSC contract.

Whilst AP1.6 is requesting that the anticipated dental income should be removed in full we have kept it in on Table E, but have removed the duplicate entry. The Health Board is seeing an increased pressure as a result in the loss of Dental Contract Income with a further £0.160m impacting on performance in Month 2, taking the YTD to £0.278m. The cause of this is the contractual change as we move away from a contract focused on UDA's and one to support those in greatest need of dental treatment. However the implications of this is materialising through the financial performance of the Health Board.

- **Pay**

In Month 1 pay was overspent by £1.4m this deteriorated further and the Month 2 overspend was £2.3m. This deterioration in is part driven by the £0.6m increase in Variable Pay between Month 1 and Month 2, linked to Bank, Overtime and Non-Medical Agency. In additional there is a further increase in the actual WTE of 178

WTE in-month, part of which will be linked to the £0.2m increase in overtime in month. We will investigate the drivers of this prior to next month's report.

- **Clinical Consumables**

In Month 1 this area overspent by £0.153m, however in Month 2 this has increased by £0.898m, with only £0.138m on Drugs. Morriston Service Group have seen the most significant increase in this area of expenditure.

- **Non Delivery Savings**

The Health Board has set a 3.5% savings target for 2023/24, after two years of achieving 4%. The savings target has been profiled in equal twelfths. However there remains a significant gap in the delivery of savings to meet the target set which has resulted in a £1.1m variance in Month 2, however is has reduced by £0.6m since Month 1.

- **Prescribing**

There has been no movement between Month 1 and 2 as the Health Board has yet to receive any data with regard to Prescribing in 2023/24. However as in month 1 an overspend of £0.3m has been included to reflect the potential recurrent impact of NCSO's. However work on this will be required during Q2 once a number of months of 2023/24 data has been received and analysed.

4.3 Movements In Month / Forecast Actuals (Table B1)

Note – having updated Table B at the end of Month 2 and based on the outputs from Table B1 a review of the profiling and the allocation of spend to lines will be undertake between Month 2 and Month 3. For Month 2 submission the keys issues of note from Table B1 are summarised below:

- Revenue Resource Limit (RRL) – Prior Month Forecast (PMF) is linked to the plan and the profiling of spend as per the tapering arrangement, which we are refining; Prior Month Full Year Forecast (PMFYF) reflects changes to the anticipated income primarily linked to the 1.5% pay award and an error on Table E in Month 1 which reported the incorrect value for the GMS allocations, which then fed through to the RRL in Table B.
- WHHSC 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.
- Drugs - PMF due to the phasing of the costs and budgets across the year actuals costs were higher in month 2 based on estimated data. PMFYF within the estimated actuals for Month 1 and Month 2 is £0.3m for the recurrent impact of NCSO, which is impacting in month performance. In taking the actuals to date less the ongoing impact of NCSOs the future months actuals should be higher than the values reported in Month 1 and so future months have been increased pending a further review between Month 2 and Month 3.
- Provider Pay PMFYF – small increase in month compared to forecast for Month 2 which links to the unforeseen increase in Variable Pay. However overall for 22/23 there is an increase in costs linked to the 1.5% pay award for which an estimated anticipated allocation is included in the RRL line of £9m along with an expectation that some of the Variable Pay and/or increase in funded establishments may continue for the remaining 10 months of the financial year.

- Provider Non Pay PMF/PMFYF – reduction in month overall in respect of actuals which reflects increase in actual clinical consumables reduced by a reversing accrual linked to Energy which is being reviewed. Overall an increase has been forecast for the full year to reflect possible pressures in non-pay for clinical supplies and also the £8m pressures included for Energy.
- CHC PMFYF – the majority of this increase is linked to the RLW for 2023/24, which has been profiled in Month 12 at this point. This line requires further work between Month 2 and Month 3 and an updated position will be provided in the Month 3 MMR.
- Other Private & Voluntary Sectors PMF/PMFYF – the increase in month 2 is driven by insourcing costs as a result of the recovery programme. These are funded as actual costs are incurred and reflect the process outlined under Uncommitted Reserves below. An estimate has been included for future months on the potential impact going forward however this may change dependent on the use of insourcing to support the Recovery programme.
- Joint Financing PMFYF – increase in the future actual spend to reflect current spend profiles for RIF, although this may change as we work through the programme for 2023/24.
- Losses PMF/PMFYF – reflects the correction of an error on losses which was corrected in Month 2. Overall this had no impact on the Health Board performance against RRL.

4.4 Actions in Plan to Manage Risks and YTD Variance

The Month 1 MMR Letter detailed the actions being driven by the Health Board to mitigate the planned deficit and the risks. Updates or additional actions above those reported in Month 1 are captured below:

- **Run Rate**
 - The Health Board has commissioned a number of independent reviews including review of prosthetics and clinical consumables and a review of two sites post the AMSR changes. Updates on all the reviews commissioned will be reported in future months as the outcomes and benefits materialise.
 - 5 clinically led programmes to influence run rates called the 'Bay Way Projects' were launched on 9th June 2023.
 - Following the Review of Run Rates and Savings delivery with each of the Service Groups chaired jointly by the CEO and DoF held on 16th May 2023 and Health Board has put two of its Service Groups into enhanced monitoring. The Morriston Service Group has been escalated to weekly meetings with the CEO/DOF and NPTS Service group to bi-weekly meetings. With the remaining 2 Service Groups continuing with the standard monthly performance reviews with the DOF. The enhance monitoring are planned to continue until there are robust plans to de-escalate the current risks being faced on run rate and savings performance.
 - For the Morriston Service Group in addition to the continuation of the dedicated Independent Financial support, which has been enhanced with two individuals supporting the work programme, the Health Board is also looking to enhance the Finance Business Partner support to provide for longer term sustainability.
- **Savings**

- Corporate savings review commenced in May 2023 with support from external Independent Financial Support to look at cross Service savings. With the CEO clear that all targets must be identified by the end of June on a recurrent basis.
 - Focus on savings delivery for Service groups will be a core element of the enhanced monitoring in place and reference in the 'Run Rate' section above.
- **Other**
 - Escalation of Morriston and Neath Port Talbot Singleton Service Groups to weekly reporting of actions on savings delivery and run rate reduction. Meetings chaired by Chief Executive and supported by director of Finance. Additional savings and run rate reductions are being seen and these will feature in updated risk profiles in future MMRs

4.5 Other Areas of Comment:

- **Energy Forecast (F)**
Originally the Health Board was assuming a financial pressure in year of £11.5m for Energy above b/f recurrent budget of £8.1m as reported in 2022/23. In the revised plan submitted on 31st May 2023 the Board agreed to reduce this by £3m based on the changes in the energy market over the last 3-4 months. Whilst an updated forecast from British Gas was shared with Health Board on the 1st June 2023, we are awaiting the Crown Commercial element of the forecast (2nd 6 months of the financial year) which we anticipate we'll receive this by September. This will then provide a robust position for the whole financial year and we can then update the forecast based on prices provided by British Gas and Crown Commercial Services and estimated usage, building in the benefits of the solar farm, provided by the Estates Department.

- **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 line 29.

- **Accountancy Gains (E)**
There have been no gains recorded on the savings trackers at this point in the year. However as noted in the actions in the Month 1 letter a review will be undertaken in Q2 to assess actual spend against the accruals provided for at year end and any non-recurrent opportunities will be reported by the end of Q2 as accountancy gains to support the delivery of savings the values entered on Table A line 28.

5. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 2 is £3.533m, which is 5.9% of the overall pay expenditure and is £0.325m higher than the same period in 2022/23.

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%
- Temporary Absence Cover – 17%
- Additional Support to delivery and performance – 21%
- COVID-19 – 8 %

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	1,500
TOTAL	11,961

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

At 9th June the weekly internal reporting mechanism within the Health Board reported savings identified in 2023/24 of £11.2m, which is an £4m+ increase for the savings identified at the end of Month 1. With the expectation by the CEO, through the work programme and actions, that this improves by a further £4m by the end of Month 3. The tables within the MMR were based on the data at the end of May 2023 and since the data was run at the end of May 2023 the value of savings identified and reported on 9th June has improved compared to the overall value within the Month 2 MMR.

The Health Board's approach and focus by the CEO and DOF delivered £29.5m against the in year 22/23 target of £29m, with schemes continuing to be identified and added to the savings tables in the MMR throughout 2022/23.

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 £'000	Plan FYE (R Schemes) £'000	Overview
NPTSD1	Procurement Savings	200	200	It is amber as there is not a defined plan for delivery we are monitoring performance on a month by month basis. The current plan is generic and not clear what relates directly to our unit. It will go green when the plans clearly are identified to our unit and or if it delivers the identified target in full.
	Total	200	200	

8. Welsh NHS Assumptions (Table D)

Table D reflects the Agreement of Balances position as at Month 12 2022/23.

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 remains 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. The 2023/24 funding will be issued as the new year rates are agreed with suppliers.

Dental Loss of Income:

As requested the Health Board has removed the Dental line from Table B3 but is still requiring funding to support the change in the contract, which has seen a £0.278m pressure in the first 2 months of 2023/24.

10. Statement of Financial Position (Table F)

There is no requirement to complete this table for Month 2.

11. Cash Flow Forecast (Table G)

As at the end of May 2023, the Health Board had a cash balance of £6.215m which is around the WG guideline cash balance 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 £104.710m is detailed in the table below:

	£'000
Forecast I&E Deficit	- 86,595
Cash paid in May for Pay Award	8,806
Reimbursement to Capital from Revenue	6,944
Movement in Working Capital Balances	- 36,724
Opening Cash Balance	2,859
Forecast Cash Deficit	- 104,710

The difference between the £104.710m forecast cash deficit and the Forecast I&E deficit, reflects the cash paid in May 2023 relating to the Pay Award, 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 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 for Month 2.

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

The forecast outturn shows an overspend position of £3.072m. 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.
City Deal – Morriston Access Road 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.

The following allocation is classed as high risk.

Scheme	£m / Risk Level	Narrative
National Imaging	0.479 / High	The reported underspend is in line with email provided to Ian Gunney on 5 th June 2023.

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 May. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £597k at the end of May 2023 (April 2023 - £614k) with the number of invoices in this category reducing from 4 at the end of April 2023 to 3 at the end of May 2023. Of the outstanding invoices between 11 and 17 weeks old, none have been paid since the end of May 2023. The majority of the outstanding debt between 11 and 17 weeks relates to an invoice with Powys, and accounts for £594k.

There are no invoices outstanding for more than 17 weeks at the end of May 2023.

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

There is no requirement to complete these tables for Month 3.

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

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.

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 on 27th June 2023.

Yours sincerely,



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DARREN GRIFFITHS
DIRECTOR OF FINANCE

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



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MARK HACKETT
CHIEF EXECUTIVE