

Dyddiad/Date: 15th May 2022

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

Dear Andrea,

SWANSEA BAY UNIVERSITY HEALTH BOARD MONITORING RETURNS 30th APRIL 2023

I enclose with this commentary the completed proformas in respect of the Health Board's Monitoring Returns to 30th April 2023.

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

The Health Board (HB) has developed and submitted a draft recovery and sustainability plan within which the financial plan results in an anticipated deficit of £69.9m.

Financial Plan 2023/24	
EM	
Section 1: 2022/23 Impact Into 2023/24 (Underlying Issues)	32.2
Section 2: 2023/24 Inflation, Demand Growth, National Programmes & Extraordinary Pressures	74.5
Section 3: Health Board Specific Service Pressures	77.3
Section 4: Savings	(22.2)
Section 5: Allocations/Income Assumptions	(92.0)
Total	69.9

This draft plan is reflected in the opening section of Table A, and includes £21.2m of ongoing COVID related costs which is aligned to Year 2 of the 2022-2025 IMTP submission. Further discussion is required to test this assumption.

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 final plan submitted the recurrent underlying position c/f would be £69.9m, but as the savings requirement in the plan of £22.2m has yet to be identified in full this has pushed the closing underlying deficit position to £87m, 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)

The Health Board included key risks and opportunities within its 3 year plan submission and these will be refined as the year progresses and further information is available. At this point in the year there have been no changes to the risks submitted. The three key areas of risk are summarised below:

- **Savings Delivery** – The plan required all 22/23 to be met recurrently as well as a new savings target for 2023/24 of £22.2m. There was an expectation that Health Boards achieve as a minimum 2.5%. However given the previous 2 years achievement it has included a 3.5% savings target or £22.2. The £6.3m is 1% of the target on the basis that the Health Board may only deliver 2.5%.
- **LTA Performance (inc WHSSC)** – The Health Board is still not delivering activity up to the LTA value. For 2023/24 an agreement with most Health Boards/Trusts has been reached on continuing the 2022/23/23 approach regarding performance but reducing the tolerance to 5%. These LTA Performance risk are a reflection of the potential impact, although in 2022/23 these were mitigated with underperformance in contracts commissioned by SBUHB. However it will be many months before we can fully assess the risk or potential opportunity.
- **Operational Pressures Not Retained within Planning Assumptions** – in 2022/23 the Health Board was seeing operational financial pressures of circa £3M per month. These were mitigated by non-recurrent opportunities linked to funding and accountancy gains. Work commenced 2022/23, with Independent Financial Support for the Morriston Service Group and also a workshop and work streams lead by the CEO and Clinicians, to ensure the run rates pressures were reduced in readiness for 2023/24. This risk reflects the potential for the benefits of this work programme to under deliver.

4. Monthly Positions (Table B)

Overview:

The £69.9m 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. Work is currently underway to try to accelerate this assumption to bring benefit into the 23/24 plan and reduce the forecast deficit. Pages 4 and 5 of this letter set out the actions underway in this regard. Opening profile agreed by the Board for 2023/24 is detailed below, but this has already changed following the need to recover the deficit above plan from Month 1:

2023/24	£M
Mth 1	7.9
Mth 2	7.9
Mth 3	6.9
Mth 4	5.9
Mth 5	5.9
Mth 6	5.3
Mth 7	5.2
Mth 8	5.2
Mth 9	4.9
Mth 10	4.9
Mth 11	4.9
Mth 12	4.9
TOTAL	69.9

Therefore at Month 1 the position, as per the opening plan, should be £7.9M overspent. However the actual position at Month 1 is £10.861M, which is £2.9m over the profile.

Movements In Month / Forecast (Table B1)

Whilst there is not comparison available at Month 1 the summary below provides the key reasons for movement above the financial plan, which relate to four key areas:

- **Income**

£0.4m under achievement of income, in part this relates to the income from our commissioners and further work will be done over the next month to understand if this is a non-recurrent in month issue, which follows a similar pattern to the Mth 1 position in 2022/23.

- **Pay**

£1.4M overspent in month 1. In comparing the WTE with the trend in the latter quarter of 2022/23 there has been an overall increase of 142 WTE. This increase has been across many of the professional groups excluding Medical, Qualified Nursing and Admin which have all remained static. However overall the Health Board remains under established but this financial benefit is offset by the cost of variable pay. The variable pay costs for the Health Board has remained static between Q4 of 2022/23 and Month 1 with average total costs of £6.4M per month.

In 2022/23 the Health board received £58M of COVID funding, compared to £35M current reported in Table B3. This in part has seen a reduction in the annual pay budget between Month 12 2022/23 and Month 1 2023/23, which will also drive a variance but it is for the Health Board to ensure a run rate reduction to reflect the change in budget.

Therefore the Health Board clearly needs to address the both underlying run rate issue and the continued spend on variable pay which is driving the in-month pay variance.

- **Prescribing**

At this point in the year the Health Board has yet to receive any data with regard to Prescribing. However an in month overspend of £0.3M has been included to reflect the potential likely impact of 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.

- **Non Delivery Savings**

The Health Board has set an ambitious 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 £1.6M variance in Month 1.

The Health Board recognises the need to build on the actions implemented from the end of Q1 in 2022/23 (and detailed in the MMR submissions). Below is a summary of actions in place or being taken by the Health Board.

- **Run Rate**

- Run rate reduction workshop held in February 2023 with output of establishing 5 clinically lead programmes to influence run rates across the pathway.
- Independent review of prosthetic costs and opportunities to deliver improvements in spend profile commissioned.
- Independent review of all clinical consumables and opportunities to deliver improvements in spend profile commissioned.
- Grant Thornton commissioned and work commenced to undertake a post AMSR review of legacy services in Neath Port Talbot and Singleton Hospitals.
- Community services, imaging and community mental health services redesign underway.
- Early stage in the preparation for managed service solutions to be market tested in Quarter 1.
- Overseas recruitment delivering near full establishments for registered nurses by October 2023 – alongside agency and variable pay controls.
- Bed decommissioning programme established.
- Review of Run Rates and Savings delivery with each of the Service Groups chaired jointly by the CEO and DoF to be held on 16th May 2023.
- Continuation of the appointment of Independent Financial support dedicated to the Morriston Service Group.

- **Savings**

- District nursing review complete and to be implemented which will achieve service improvement, efficiency and overall savings.
- Corporate savings review to commence in May 2023 with support from external Independent Financial Support to look at cross Service savings
- Systems wide savings programme to be developed in Q1 23/24 to establish both the mechanisms from the financial perspective and the areas of opportunities to deliver improvement across Service Groups
- Partnership discussions underway on CHC expenditure and the management/commissioning of CHC across all areas of the Health Board
- Inflationary assumptions, as per the plan, will continue to be monitored
- Pipeline ideas which total over £22m have already been identified and the translation of these schemes is underway support savings delivery.
- Focus in Q1 on identification of Non recurrent mitigation to address shortfall whilst recurrent saving opportunities are finalised.
- Exploring further external support on the delivery of savings could focus on areas such as Telecoms and Non Pay estates as well as CHC, with a full assessment of all cases building on the work done in 2022/23 by CHS.

- **COVID Legacy**
 - Sickness and absence management to be refocused
 - Private patient service to be establishment (lead recruited) to look for opportunities to secure more income
 - Manage to AMSR plan and ensure investment made and benefits for the Business Case are achieved, which will result in a savings at the end of the third year.

- **Other**
 - System of control updated with delegation letters to be issued in second week of May 2023 with the approach approved by Performance and Finance Committee in April 2023.
 - Critical review of cost pressures and service change choices to be undertaken in May 2023.
 - Case to be submitted for regional orthopaedic theatres by 12th May 2023.
 - End Q1 full assessment of accountancy gains which will need to be added to the tracker and reported through the MMR by end of Q2.

Other Areas of Comment:

- **Energy Forecast (F)**
The Health Board is still assuming a financial pressure in year of £11.5M for Energy above b/f recurrent budget of £8.1M as reported in 2022/23. There is further work required on the energy forecast linked to PFI, as the energy supplier has now changed under the contract and any impact from this will be included in future reports along with any changes to the £11.5M included in the financial plan.
- **Uncommitted Reserves (G)**
The Health Board is not holding uncommitted reserves, any reserves it holds linked to projects or NICE are issues on a actuals basis and are not uncommitted. However there is an ongoing review of funding remaining in reserves for these areas and the forecast of what may be committed. With any slippage utilised as N/R opportunities and declared in future months.
- **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 above a review will be undertaken in Q2 to assess actual spend against the accruals provided for at year end and any N/R opportunities will be reported by the end of Q2 as accountancy gains.

5. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 1 is £3.315m, which is 5.98% of the overall pay expenditure and is £0.925m 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 been as granular as in previous submissions.

- Vacancy Cover – 51%
- Temporary Absence Cover – 17%
- Additional Support to delivery and performance – 23%

- COVID-19 – 9 %

6. COVID-19 (Table B3)

Total forecast spend on Table B3 for 2023/24 is currently reported as £34.6M. The breakdown of this by area of COVID is provided below:

	TOTAL FUNDING
	£ '000
Health Promotion	3,500
Vaccination Programme	5,500
COVID Response (as Per Financial Plan)	21,224
Long COVID	953
Nonsocial	500
PPE	1,500
Loss Contractual Dental Income	1,418
TOTAL	34,595

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

As per the tables and the internal reporting mechanism the Health Board has currently only identified 32% of its 2023/24 savings target at the end of Month 1 and the actions detailed in section 4 above will support the improved delivery of the savings programme.

The Health Board 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.

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.

For the Real Living Wage the forecast remains as per the financial plan and is made up of two elements:

	£'000
2022/23 Recurrent Funding of £9.50 to £9.90	2,995
2023/24 Funding from £9.90 to £10.90	7,500
Total Anticipated Funding	10,495

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.

10. Statement of Financial Position (Table F)

There is no requirement to complete this table for Month 1.

11. Cash Flow Forecast (Table G)

There is no requirement to complete this table for Month 1.

12. Public Sector Payment Compliance (Table H)

There is no requirement to complete this table for Month 1.

13. Capital Resource / Expenditure Limits (Table I)

There is no requirement to complete this table for Month 1.

14. Capital In Year Schemes (Table J)

There is no requirement to complete this table for Month 1.

15. Capital Disposals (Table K)

There is no requirement to complete this table for Month 1.

16. Aged Welsh NHS Debtors (Table M)

Table M lists all Welsh NHS invoices outstanding for more than 11 weeks as at the end of April. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £614k at the end of April 2023 (March 2023 - £zero) with the number of invoices in this category increasing from none at the end of March 2022 to 4 at the end of April 2023. Of the outstanding invoices between 11 and 17 weeks old, none have been paid since the end of April 2023.

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

17. Ring Fenced Allocations (Tables N & O)

There is no requirement to complete these tables for Month 1.

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.

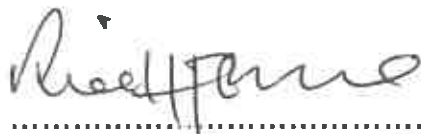
In the absence of the Chief Executive or the Director of Finance, the monthly monitoring return submission will be approved by Dr Richard Evans (Deputy Chief Executive) and Samantha Moss (Deputy Director of Finance), respectively.

These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee on 27th May 2023.

Yours sincerely,


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DARREN GRIFFITHS
DIRECTOR OF FINANCE

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MARK HACKETT
CHIEF EXECUTIVE

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