

Dyddiad/Date: 14th January 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 31st December 2021

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 31st December 2021. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your letter of 20th December 2021.

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

The Health Board has developed and submitted a draft annual plan within which the financial plan results in an anticipated deficit of £42.077m before the inclusion of COVID income and expenditure. The COVID expenditure is assumed to be matched by income. In addition, the Health Board has been advised to anticipate non-recurrent income to support the 2020/21 savings impact. This reduces the 2021/22 forecast to £24.405m.

	2021-22 Plan Update £m
20/21 Core Underlying Position	24.405
20/21 Savings COVID impact	17.672
20/21 Underlying Position	42.077
Cost pressures	25.600
WG Allocation	-15.100
Investment Commitments	8.500
Planned Savings	-27.700
Investments to enable Savings	8.700
Forecast Position pre-COVID	42.077
Less 20/21 Savings impact	-17.672
Forecast Position post-COVID	24.405

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

The Health Board opening position includes identified forecast savings delivery including income generation and accountancy gains of £26.1m against the initial financial plan savings requirement of £27.7m. The identified schemes have increased to £28.1m, however some slippage has been

experienced in the delivery against these planned schemes, with a forecast delivery of £27.5m in year. The Health Board intends to balance off the slippage from the original savings plan through the release of investment slippage.

The key focus for the Health Board will be securing the full recurrent savings required in 2021/22 into 2022/23 to support the recurrent reported underlying position. Any shortfall in recurrent savings will be mitigated by constraining planned uncommitted investments.

The Health Board opening plan includes estimated costs of £101m in relation to the ongoing impacts of the pandemic on service delivery and the initial phase of service reset and recovery. This included direct COVID impacts such as TTP and Vaccination as well broader service implications. These estimated costs have increased by £12.852m from the initial plan which reflects the inclusion of further recovery funding, urgent and emergency care funding and the pay award impact on COVID costs.

The Health Board recognises that funding has been allocated for COVID programmes such as TTP, Vaccination and PPE based on Month 8 forecasts and will be now working to manage any variation in forecasts within the overall Health Board available resources.

2. Risks (Table A2)

The Health Board continuously reviews the keys risks and opportunities. The items previously included in the risks and opportunities table have been negated as they are expected to be managed within the overall Health Board forecast.

The impact of any movement in the annual leave accrual and buy back of annual leave are expected to be neutralised for the Health Board via Welsh Government allocation adjustment.

Due to the ongoing requirements around mass vaccination, our Field Hospital Establishment Group (FHEG) recently agreed to an extension to the lease of the Bay Studios Field Hospital from August 2021 to July 2022. This position will remain under routine review to reflect the Health Board's required ongoing response to the pandemic.

As discussed with Ian Gunney at our recent CRM, we are working to ensure we reflect the appropriate accounting treatment for the extension of the lease and the considerations currently underway for the financial exit from the lease as and when this becomes necessary.

3. Monthly Positions (Table B)

The Month 9 reported position is an In-month overspend of £1.885m and a cumulative overspend of £17.569m. Based on the initial plan deficit, an overspend of £18.304m would have been expected.

At the end of Month 9 the Revenue Resource Limit is under-phased by £41m, the reasons for this can broadly be described as follows:

- ICF expenditure expected later in the year
- NICE drugs expected growth
- Primary Care costs
- CHC expected growth and inflation
- Commissioner contracts
- COVID costs, particularly recovery and urgent and emergency care
- Reinvestments to support efficiencies

The Month 9 position saw continuing workforce pressures with both COVID and non-COVID sickness rates remaining high along with extremely high levels of operational pressure. ChC growth continues to be a pressure area, both within Mental Health and Learning Disabilities and also in

General ChC where growth is now also starting to be experienced. The financial plan allows for growth, however mitigating opportunities have been developed to support the management of this growth. The increase in ChC costs in January relates to the expected FNC and CHC inflation costs.

The overall expenditure incurred in December 2021 was £1.5m lower than forecast, with the most significant differences in the following areas:

- **Provider Pay** – due to workforce constraints and challenges in recruiting further workforce to support winter and surge and support plans and further redeployment of staff to prioritised areas.
- **Other Private and Voluntary Sector** – due to delays in accessing capacity for recovery.
- **Joint Financing and Other** – ICF and other LA costs being agreed and issued later than planned, including the use of RPB winter funding.

The movement in forecast expenditure reflects the application of additional funding allocations. There are some movements between expenditure heads as planned expenditure becomes more certain.

4. Pay & Agency Expenditure (Table B2)

The Health Board Agency expenditure for Month 9 is £2.883m, which is 5.4% of the overall pay expenditure and is £0.231m higher than the same period in 2020/21.

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** – 51%
- **Temporary Absence Cover** – 11%
- **Additional Support to delivery and performance** – 22%
- **COVID-19** – 16%

5. COVID-19 (Table B3)

The financial forecast for the 2021/22 financial year has been estimated as £113.495m. This is £12.852m higher than that included in the opening plan assessment and has been matched with WG funding. The assessments are being continually reviewed and refined to reflect changes in policy and guidance, disease prevalence, workforce availability, development of essential services and field hospital utilisation, however at this point in the financial year the Health Board recognises the requirement to manage variation in costs from forecast and funded levels with the overall Health Board revenue position.

The key movements from the previous month are: -

- **Vaccination** – the vaccination forecast has increased which reflects increased utilisation of community pharmacies to support the increase in vaccinations.
- **PPE** – amended to reflect most recent usage.
- **WHSSC position** – amended to reflect the most recent WHSSC forecast.
- **Long COVID** - the forecast underspend on this aspect has been utilised to support other increases in forecast.
- **Recovery** – the increases in forecasts across other areas have been offset by slippage in recovery expenditure, specifically PACU £0.528m and other directly awarded funding.

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

The Health Board has a gross savings requirement of £27.7m, which reflects the need to reinvest circa £8.7m in order to deliver a significant level of efficiency opportunities (£17.7m).

To date the Health Board plan has identified £28.1m of savings that have been assessed as green or amber. This includes £0.588m of income generation.

In addition to the green and amber schemes, there remains a small number of red schemes related to bed utilisation that are remain outstanding. These are unlikely to yield significant savings in 2021/22 and are likely to now form part of the Health Board's future year plan.

Whilst the green and amber schemes have increased from the opening plan, slippage has been seen on a number of schemes, particularly those related to bed utilisation efficiency, which has reduced the forecast delivery to £27.4m.

There are 21 validation errors on Table C3, due to amber schemes which have passed the Go Green date. These schemes equate to £1.359m of the £27.715m planned savings. A number of these schemes relate to bed utilisation efficiencies which due to the pandemic pressures and an extremely constrained workforce market have been delayed. These schemes have no forecast delivery for this financial year, but continue to be part of the planned recurrent delivery profile. The remaining schemes continue to be pursued, however if slippage is encountered the £0.405m is expected to be contained within the Health Board forecast position.

The Health Board Savings Programme Management Office (PMO) has been established to support, assure and accelerate the delivery of planned savings. The PMO will also to identify further opportunities to bridge the current savings gap and to meet future savings and sustainability requirements.

7. Welsh NHS Assumptions (Table D)

Table D sets out the income and expenditure assumptions with other Health Boards. The figures have been updated to reflect 2021/22 LTA contract values. All LTA and SLA documentation has been agreed and signed.

8. Resource Limits (Table E)

Table E provides the allocations anticipated by the Health Board.

9. 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 £9.854m at the end of November 2021 to £10.320m at the end of December 2021, an increase of £0.466m. The increase relates to drugs stocks across all hospital sites and follows the trend of previous years where drug stocks are increased in December to cover the Christmas period.

There has been an increase in trade receivables from £203.691m at the end of November 2021 to £206.032m as at the end of December 2021, an increase of £2.341m. The in-month increases mainly relate to the Welsh Risk Pool debtor of £1.468m, an increase in the VAT debtor of £0.175m and in debts with local authorities of £0.463m following the raising of quarter 3 invoices for services provided as at the end of December 2021.

The closing December 2021 cash balance was £1.834m well within the Welsh Government best practice cash target for the Health Board of £6m.

The trade and other payables figure saw a reduction from £218.317m at the end of November 2021 to £212.284m at the end of December 2021, a reduction of £6.033m. The reduction was across all trade payables areas as a result of bringing forward invoice payments due to the Christmas period to allow staff in the Swansea Bay NWSSP Accounts Payable to take time off between Christmas and New Year.

Provisions saw a small reduction in month from £138.902m at the end of November 2021 to £38.766m at the end of December 2021, a reduction of £0.136m. The reduction was due to payments against existing clinical negligence provisions.

The forecast year-end balance sheet represents the current best estimate of the likely year-end position at this point in time. This forecast will be reviewed monthly going forward as the movement in working balances becomes clearer.

10. **Cash Flow Forecast (Table G)**

As at the end of December 2021, the Health Board had a cash balance of £1.834m which is well within the WG best practice figure of £6m.

Based on the month 8 forecast cash deficit of £18.515m, the health board requested from WG £4.220m in strategic cash support, £1.027m for movement in capital working capital balances and the cash only allocation of £13.268m in relation to the COVID bonus payment following receipt of a resource only allocation in 2020/21. Confirmation was received from WG on 20th December that the strategic cash support had been agreed.

The table below updates the forecast cash position to the end of December, from which it can be seen that the forecast cash deficit has reduced from £18.515m to £15.393m mainly related to an increase in the forecast level of year end capital creditors. This table also confirms the cash position based on the agreed cash support of £4.220m and assuming that the COVID bonus payment cash is received which shows a year-end balance of £2.095m and that as at the end of December it is likely that no cash will be required for the movement in capital creditors. This cash position will be updated monthly and any changes to the required cash assistance will be identified and flagged to WG.

The detailed breakdown of the cash position is shown in the table below:

	Revenue	Capital	Total
	£m	£m	£m
Forecast Deficit as per SOCNE	-24,405		-24,405
Reduction in revenue payables – bonus payment	-13,268		-13,268
Increase in revenue payables – other	3,206		3,206
Reduction in capital payables		-3,191	-3,191
Reduction in revenue receivables	9,059		9,059
Movement in provisions – cash related	11,936		11,936
Opening Cash balance	-4,167	5,437	1,270
Forecast Position	-17,639	2,246	-15,393
Cash Required			
Agreed Strategic cash Support	4,220		4,220
Required COVID Bonus Cash Only Allocation	13,268		13,268
Total Cash Required	17,488		17,488
Revised Cash Position	-151	2,246	2,095

It must be stressed that the cash forecast in the table above and the amount requested for strategic cash support is predicated on receipt of all anticipated cash allocations detailed in Table E.

11. Public Sector Payment Compliance (Table H)

The health board did not achieve the 95% PSPP target for quarter 3, compliance reducing to 93% as compared to the 2nd quarter performance of 96.26%. In month PSPP performance was not achieved during October 2021 or November 2021 due to the impact of the vast number of invoices being received from nurse agencies linked to the significant increase in the number of nurse agency shifts worked. This has resulted in the health board taking on additional staff to assist with invoice processing in this area and to support frontline staff in signing off the shifts worked to allow the invoices to be processed more quickly. Whilst this has resulted in the compliance for December improving to 95.6%, challenges remain given the continuing high usage of agency staff. Cumulative compliance to the end of December 2021 remains above target at 95.1% but the health board will need to ensure that 95% compliance is received each month for the remainder of the financial year to meet the target at year end.

As was reported at month 6, the health board has focussed attention with staff across the health board in targeting the poor NHS payment compliance. Whilst this has not increased performance in quarter 3 up to the 95% target, the quarter 3 performance of 85.3% compliance is a significant improvement on the previous performance of 74.3% for quarter 2 and 81.03% for quarter 1. There continues to remain issues with invoices being received from other health boards with outdated or no contact details on them and without backing documentation and these are being worked through with those health boards, whilst the last few weeks have also seen staff sickness resulting in delays in authorisation of invoices within particular service groups.

Attention remains focussed on improving PSPP compliance for both NHS and Non NHS invoices.

12. Capital Resource/Expenditure Limit Management (Table I)

The forecast outturn shows an overspend position of £0.705m. Allocations are anticipated from WG on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
EMRTS	0.280 / Low	Funding anticipated from WG.
Pharmacy Robotic Process Automation	0.093 / Low	Funding anticipated from WG.
PET CT	0.069 / Low	Resource schedule agreed with WG.
EFAB	0.263 / Low	Funding letter received from WG.

The following allocations are all classed as high risk. The in-year underspends on the AWCP schemes are being offset with increased spend on discretionary schemes.

Scheme	£m / Risk Level	Narrative
Covid-19 Recovery Plans 2021-22	1.129 / High	The COVID recovery funding £8.340m covers three schemes. <ul style="list-style-type: none"> • Ophthalmology Modular Theatre, Singleton Hospital. Proceeding to plan.

Scheme	£m / Risk Level	Narrative
		<ul style="list-style-type: none"> • Fracture and Orthopaedic Unit, Morriston Hospital. Following the recent conclusion of our Changing for the Future consultation, current advice is that we may not be able to start work on the reinstatement of the Fracture and Orthopaedic Unit at Morriston until March 2022. • Orthopaedic Modular Theatres, Neath Port Talbot Hospital. The scheme design is progressing, but the design complexities and complex contractual arrangements with the PFI mean enabling works are unlikely to commence this year as planned.
Discretionary - Estates	0.266 / High	<ul style="list-style-type: none"> • Enfys Reconfiguration, Morriston. The establishment of an Ambulatory Emergency Care and an Acute Medical Assessment Unit, are critical elements of the Health Board's Urgent Emergency Care (UEC) plan. There has been a delay in the works starting due to the unavailability of the area due to COVID service pressures. Works have recently commenced. There are still risks associated with material lead times and COVID service pressures.
Invest to Save - Theatre Stock Omnicell	0.358 / High	<ul style="list-style-type: none"> • The scheme is planned to be substantially complete this year, with a small number of works due for completion in the early part of 22-23. It's also likely that the scheme will complete with an overall underspend of between £250k and £300k. As the scheme was jointly funded by WG Invest to Save and our discretionary capital, we will enter discussions with the Invest to Save team about repayment in 22-23.
Anti-Ligature	1.012 / High	<ul style="list-style-type: none"> • Increasing material lead times and delays with the PFI partners funders, have reduced the spend profile this year.

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

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

Following discussion with Velindre and Carolyn Blockley in WG, we've included a new disposal receipt of £0.833m for the Laundry Transfer to Shared Services. This is a contra to the CRL reduction of the same value which reflects the correct accounting treatment for a transfer between a Health Board and Trust.

There are a number of other planned property disposals this financial year with outstanding expected sale proceeds of £0.387m. The reported forecast outturn position assumes that the outstanding disposal income will be received.

All of the property disposals have received Ministerial approval to proceed.

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 December. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £64k at the end of December (November - £39k), with the number of invoices in this category increasing from 8 at the end of November to 11 at the end of December. Of the outstanding invoices between 11 and 17 weeks old, 2 amounting to £31k have been paid since the end of December.

There were 8 invoices and 1 credit note outstanding for more than 17 weeks at the end of December totalling £31k. All of these invoices have been agreed for payment and since the end of December 1 invoice has been paid with a value of £12k.

15. Ring Fenced Allocations (Tables N & O)

Table N & O have been completed for Quarter 3. The GMS expenditure is currently forecast to underspend by £0.112m and Dental expenditure is currently forecast to overspend by £0.292m.

The financial information reported in these Monitoring Returns reflects those reported to the Health Board.

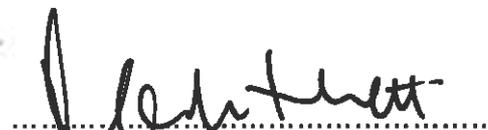
In the absence of the Chief Executive or the Director of Finance, the monthly monitoring return submission will be approved by Dr Richard Evans (Deputy Chief Executive) and Samantha Lewis (Deputy Director of Finance), respectively.

These Monitoring Returns incorporate the financials of the following hosted bodies: Delivery Unit and EMRTS.

These Monitoring Returns will be circulated to the membership of the received by the Health Board's Performance and Finance Committee on 25th January 2022.

Yours sincerely,


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DARREN GRIFFITHS
DIRECTOR OF FINANCE


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MARK HACKETT
CHIEF EXECUTIVE

Emma Woollett, Chair
Assistant Directors of Finance
NHS Financial Management
Mr Jason Blewitt, Audit Wales