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Swansea Bay University Health Board

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Dyddiad/Date: 11th February 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 January 2022

I enclose for your attention the completed monitoring returns templates in respect of the Health Board's Monitoring Returns to 31st January 2022. This letter provides the supporting commentary to the templates and Action Point Schedule in response to your letter of 25th January 2022.

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 £28.2m, however some slippage has been experienced in the delivery against these planned schemes, with a forecast delivery of £28m in year. Whilst some minimal level of slippage has been seen in recent months, it is anticipated that if similar levels of slippage were encountered in the final months of the year, they would be able to be managed within the overall Health Board forecast.

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. At the end of month 10 there is a shortfall of £2.5m and schemes to bridge this shortfall are currently being reviewed. 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 £12.3m 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. **<u>Risks (Table A2)</u>**

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 is being assessed and will be confirmed in the Month 11 MMR. It is currently assumed to have a neutral impact. The management of any movement will be discussed with WG once the position is confirmed.

The ability to fully deploy COVID recovery funding is challenging, mainly due to the impact of Omicron on supply side partners, but the Health Board is actively exploring all opportunities to ensure the funding is utilised by the end of the financial year and has further additional capacity to access now that the Omicron wave is subsiding.

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 Heath 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. **<u>Monthly Positions (Table B)</u>**

The Month 10 reported position is an in-month overspend of £1.671m and a cumulative overspend of £19.241m. Based on the initial plan deficit, an overspend of £20.338m would have been expected.

At the end of Month 10 the Revenue Resource Limit is under-phased by £37m, the reasons for this can broadly be described as follows:

- ICF and transformation expenditure later in the year
- NICE drugs expected growth

- COVID costs, particularly recovery and urgent and emergency care
- Reinvestments to support efficiencies and service sustainability

The Month 10 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 overall expenditure incurred in January 2022 was £3m higher than forecast, with the most significant differences in the following areas:

- Provider Pay – mainly due to the 1% non-consolidated payment made to staff in relevant grades in January. This has been supported by confirmed additional funding.
- Primary Care Contractor – due to earlier phasing of planned costs.

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 10 is £3.140m, which is 5.5% of the overall pay expenditure and is £0.017m 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 been as granular as in previous submissions.

- Vacancy Cover – 42%
- Temporary Absence Cover – 19%
- Additional Support to delivery and performance – 20%
- COVID-19 – 19%

5. COVID-19 (Table B3)

The financial forecast for the 2021/22 financial year has been estimated as £113.499m. This is £12.3m 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: -

- **PPE** – amended to reflect most recent usage.
- **WHSSC position** – amended to reflect the most recent WHSSC forecast.

Any movement in forecasts has been managed within the overall funding allocation and forecast.

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 £28.2m of savings that have been assessed as green or amber. This includes £0.588m of income generation.

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 £28m.

There are 21 validation errors on Table C3, due to amber schemed which have passed the Go Green date. These schemes equate to £1.359m of the £28.2m 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.

There are a further 4 validation errors in M10 on Table C3, where a FYE (totalling £126k) has been entered on Scheme with no In Year forecast. As you are aware, we are continuing to work through our recurrent saving schemes, however there is no in year delivery impact relating to these schemes.

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. <u>Welsh NHS Assumptions (Table D)</u>

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. <u>Resource Limits (Table E)</u>

Table E provides the allocations anticipated by the Health Board.

9. <u>Statement of Financial Position (Table F)</u>

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

The inventory value has reduced from £10.320m at the end of December 2021 to £10.283m at the end of January 2022, a small reduction of £0.037m. The reduction relates to drugs stocks across all hospital sites.

There has been an increase in trade receivables from £206.032m at the end of December 2021 to £218.166m at the end of January 2022, an increase of £12.134m. The in-month increases mainly relate to income accruals for anticipated allocations of £10.402m, and an increase in NHS debtors of £1.766m following the raising of quarter 3 invoices for services provided early in January 2022.

The closing January 2022 cash balance was £4.420m well within the Welsh Government best practice cash target for the Health Board of £6m.

The trade and other payables figure saw an increase from £212.284m at the end of December 2021 to £221.820m at the end of January 2022, an increase of £9.536m. The increase was across all revenue trade payables areas (£7.087m) partly linked to the December balance being lower as a result of bringing forward invoice payments due to the Christmas period. There was also an increase in capital trade payables of £1.132m and an increase of £1.693m in the tax/NI and superannuation creditor following the payment of the 1% pay award to all staff up to band 5 level in January pay.

Provisions saw a reduction in month from £138.766m at the end of December 2021 to £137.411m at the end of January 2022, a reduction of £1.355m. 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 January 2022, the Health Board had a cash balance of £4.420m which is well within the WG best practice figure of £6m.

A detailed review of the forecast revenue and capital cash receipts and payments for February and March has been undertaken and the cash flow statement updated to ensure that the amount of cash drawn down whilst being sufficient to discharge all forecast cash commitments does not leave the health board with a high cash balance as at the end of March 2022.

From a capital cash position, given the opening cash position and the forecast cash payments between now and the end of March 2022, it is planned to draw down in cash only £48.5m of the approved CRL cash allocation. It must be stressed, however, that the capital position is fast moving and this position may change over the course of the next few weeks with more or less cash possibly being required as the position in respect of the timing of cash payments becomes clearer. There is therefore a difference between the cash allocations for capital in table E and the capital cash draw down in table G. Based on drawing down £48.5m in cash the forecast year end capital cash balance is £0.120m.

With regards to the revenue cash position, the health board has received in February £6m in reclaims from Welsh Risk Pool which was not anticipated to be received in cash until 2022/23. In addition, WHSSC have advised that £1.2m of cash will be returned to the health board in March in respect of the risk sharing element of the WHSSC underperformance, cash which was not expected until April with a debtor being anticipated at year end. These additional amounts of cash taken in conjunction with the forecast payments for February and March mean that as long as the anticipated allocations detailed in table E are provided that the health board is unlikely to require to draw down the strategic cash support approved or the full amount of the working capital cash in respect of the bonus payment provided as an allocation only in 2021/22. Again this position could change over the next few weeks as the cash position is updated daily. This therefore explains the difference between the allocations in table E which include the strategic cash support and working capital and the cash draw down in table G. Based on drawing down all the anticipated allocations in table E excluding the strategic cash support and including only £4.268m of the working capital cash for the bonus payment will leave the health board with a forecast closing revenue cash balance of £2.530m and a total cash balance of £2.650m.

11. Public Sector Payment Compliance (Table H)

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

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

The forecast outturn shows an overspend position of £5.088m. Allocations are anticipated from WG on the following schemes, which will provide a balanced position.

Scheme	£m / Risk Level	Narrative
WG Slippage Tranche 2	2.967 / Low	Funding anticipated from WG.
WG Slippage Tranche 3	1.959 / Low	Funding anticipated from WG.
PET CT	0.069 / Low	Resource schedule agreed with WG.
Pharmacy Robotic Process Automation	0.093 / Low	Funding anticipated 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	0.870 / High	The COVID recovery funding £7.340m covers three schemes. • **Ophthalmology Modular Theatre, Singleton Hospital.** Proceeding to plan. • **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	0.214 / High	• **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.
Anti-Ligature	1.007 / High	• Increasing material lead times and delays with the PFI partner funders, have reduced the spend profile this year.

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

We have reduced both our DEL and AME estimates in Month 10 against what we estimated in our November Non-Cash submission. Both forecasts have dropped in value now that we have a better view on the commissioning status of our schemes in this financial year. We can confirm that we have reduced our AME estimate by £3.966m as a result. Due to further additional requirements and submissions around IFRS 16 and Quinquennial Revaluations in January 2022, we have not yet been able to fully complete our analysis of the DEL movements against our November submission. However, we can disclose that we need to reduce it by £0.205m (relating to the discretionary element of the Swansea Bay Capital Programme) at this stage. We disclose this now in line with the Gary Young email (dated 27/01/2022), which requested that we disclose any material movements from latest forecasts as they arise. We anticipate some further movements becoming evident as we complete our forensic analysis of the Capital Programme non-cash aspects in February; we will advise of any further material movements in due course.

13. <u>Capital Disposals (Table K)</u>

Following discussion with Velindre and 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 £0.187m. 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. <u>Aged Welsh NHS Debtors (Table M)</u>

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 £14k at the end of January (December - £64k), with the number of invoices in this category reducing from 11 at the end of December to 7 at the end of January. Of the outstanding invoices between 11 and 17 weeks old none have been paid since the end of January.

There were 7 invoices outstanding for more than 17 weeks at the end of January (December 8 invoices amounting to £31K) totalling £39k. All of these invoices have been agreed for payment as part of the agreement of balances exercise and since the end of January 3 invoices have been paid with a value of £22k.

15. <u>Ring Fenced Allocations (Tables N & O)</u>

Table N & O are completed quarterly. As per the M9/Quarter 3 submission, 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 22nd February 2022.

Yours sincerely,

DARREN GRIFFITHS
DIRECTOR OF FINANCE

MARK HACKETT
CHIEF EXECUTIVE

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