

Dyddiad/Date: 14<sup>th</sup> May 2024

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 RETURN 30<sup>th</sup> APRIL 2024**

I enclose with this commentary the completed proformas in respect of the Health Board's Monitoring Returns to 30<sup>th</sup> April 2024.

The Annual Plan submitted on 28<sup>th</sup> March 2024 reported a deficit of £50.1m after the delivery of £26.1m of savings. The expectation was that the in-month position would reflect a 12<sup>th</sup> of the £50.1m deficit. For Month 1 the Health Board (HB) has reported a deficit of £9.5m against a 12<sup>th</sup> of the deficit plan of £4.2m. Clearly this position is unacceptable and immediate actions are being taken. In response to the in-month financial position, the interim CEO has written to senior leaders across the HB to instruct urgent actions to address the run rate. Discussions will also be held at the Management Board on 15<sup>th</sup> May 2024 to agree immediate and lasting actions to materially reduce run rate immediately, whilst further actions are required to improve upon the deficit forecast of £50.1m.

Key areas of focus on running to run rate back to the plan will include:

- Variable pay with a specific focus on agency costs (£78m opportunity against variable pay based on 2023/24 level of expenditure);
- Assurance on CHC controls and robust assessments;
- Granular and deliverable savings to target levels;
- Identification of the most cost-effective way to support surge capacity with a plan to reduce surge requirements to Nil as quickly as possible; and
- Enact all actions to reduce run rate balanced with TI recovery requirements.

The key drivers of the in-month position were:

**Table 1: Key Drives**

	HBWide EM	MH/LD EM	PCT EM	NPTS EM	Mort EM	Co op EM
<b>Plan 1: Plan</b>						
12th Deficit Plan	4.2	-	-	-	-	-
<b>Part 2: Savings Delivery</b>						
Non Delivery £26.1m Savings	2.0	-	0.2	0.7	0.7	0.4
<b>Part 3: Operational Pressures</b>						
<b>Income</b>						
WHSSC Performance	0.3	-	-	-	0.3	-
<b>Pay</b>						
- Medical	0.9	0.2	-	0.4	0.4	-
- Nursing (Inc UQ)	1.6	0.4	-	0.3	1.1	-
- CDD Overtime	0.3	-	-	-	-	0.3
<b>Surge Beds</b>						
- Gorseinon	0.1	-	0.1	-	-	-
- SUSO	0.1	-	0.1	-	-	-
- Singleton	0.2	-	-	0.2	-	-
<b>Non-Pay</b>						
Non Pay General	0.8	-	-	0.7	0.1	-
Estates (Inc Energy)	0.3	-	-	-	-	0.3
CDD	0.1	-	-	-	-	0.1
CHC	0.3	-	0.3	-	-	-
<b>Sub Total Part 3</b>	<b>5.2</b>	<b>0.6</b>	<b>0.5</b>	<b>1.6</b>	<b>1.9</b>	<b>0.7</b>
<b>Part 4: Offsets</b>						
Balance Corporate Directorates & Z Codes	(1.9)	-	(0.1)	-	-	(1.7)
<b>Sub Total Part 4</b>	<b>(1.9)</b>	<b>0.0</b>	<b>(0.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.7)</b>
<b>Total</b>	<b>9.5</b>	<b>0.6</b>	<b>0.6</b>	<b>2.2</b>	<b>2.5</b>	<b>0.6</b>

In addition to this there remains significant work being undertaken to reduce the planned deficit from that reported at the end of March 2024 and this is discussed further in section 1 below.

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

The Health Board submitted an Annual Plan on 28<sup>th</sup> March 2024 which reported a deficit of £50.1m. This has not been approved by Welsh Government (WG) with the request that as a minimum the Health Board reduces its deficit to £17m or better; work and discussions are underway. In order to meet the £50.1m deficit plan operational savings totalling £26.1m are required and all service areas are required to breakeven to their delegated budgets. This will require the need for a significant reduction to the Health Board's run rate of expenditure.

As part of the Financial Planning process the Health Board identified a number of areas of focus to reduce the £50.1m plan to £24.5m, under the banner of Thematic Programmes with dedicated Executive SRO Leads. Updates on progress are to be reported via the agreed internal governance route of Management Board 15<sup>th</sup> May 2024, Performance & Finance Committee 21<sup>st</sup> May 2024 and then Board 23<sup>rd</sup> May 2024. Following which the Health Board will resubmit its financial plan value for 2024/25 on the 31<sup>st</sup> May 2024.

Any agreed changes to the plan following the resubmission of the Plan at the end of May 2024, will then be transacted through Table A in Month 2 as a restated plan.

Provided below is further information regarding the presentation of the numbers within the in-year section of Table A:

- Line 26 reflects the adverse Operational Variance to Plan forecast for Quarter 1; this is indicative at this stage given the Management Board meeting to discuss and agree urgent actions to address the financial position is scheduled for 15<sup>th</sup> May, which will fall after the MMR is submitted. This will be refined as further analysis is completed on the Month 1 operational drivers (which are detailed in the Executive Summary above).
- Line 27 recognises the repurposing of the £2.16m discretionary COVID-19 funding (as shown on Line 22) as part of the Annual Planning cycle.
- Line 28 shows the impact of converting Red/Pipeline opportunities into delivery of Green/Amber schemes in the achievement of the Planned savings target (see associated risk in Section A2).
- Line 30 reflects the operational actions that will be required in addition to the delivery of the savings target in order to address the forecast Quarter 1 Operational Variation to Plan; this is also indicative as described in Line 26.

## **2. Underlying Position (Table A1)**

The underlying b/f position reflects the £54.9m, reported both in the Month 12 MMR submission and the MDS submitted on the 29<sup>th</sup> March 2024. The Annual Planning cycle has resulted in an improvement in-year of £4.8m, adjusting the underlying position to £50.1m. This is predicated on the recurrent delivery of £34.5m of savings schemes (£26.1m operational and £8.4m of disinvestment decisions made in the planning cycle) and of all service areas achieving a breakeven position against their delegated budgets. Delegation letters have been issued and detailed delivery plans are expected by the end of May 2024 for further scrutiny.

## **3. Risk Management (Table A2)**

### **Risks:**

The risks reported at Month 1 are focused on two key areas:

- **Operational recovery** of the forecast Q1 financial position, which is discussed further in the opening paragraphs of this paper. The risk to the delivery of mitigating actions to address the YTD and forecast Q1 overspend has been recognised in full in Table A2, as more immediate and significant actions will be required (aligns to Line 26 on Table A);
- **Savings delivery** and the conversion of Red/Pipeline opportunities into deliverable Green/Amber savings schemes. As it is early in the financial year, the risk regarding conversion to savings schemes has been limited to 60% of the current gap.

#### **Opportunities:**

As reported through the Annual Planning process the Health Board has established Thematic Programmes to support the improvement in the reported Planned Deficit of £50.1m. As part of the enhanced governance arrangements these programmes will report into a new Financial Improvement & Oversight Group, which will report directly to the Performance & Finance Committee. Listing of the programmes and the SRO is provided in the table below:

Thematic Programme	£m	SRO
UEC Improvement	(3.6)	Chief Operating Officer
Planned Care	(9.6)	Chief Operating Officer
Workforce	(2.7)	Interim Director of Workforce & OD
CHC	(3.4)	Interim Director of Strategy
Medicine	(3.5)	Interim Medical Director
Technical	(2.6)	Director of Finance & Performance
Transformational Change	(0.3)	Director of Finance & Performance
<b>TOTAL</b>	<b>(25.6)</b>	

#### **4. Monthly Positions (Table B)**

##### **4.1 Overview Variance & Plan:**

The profile of income and expenditure in Table B is indicative at this stage given the Management Board meeting to discuss and agree urgent actions to address the financial position is scheduled for 15<sup>th</sup> May 2024, which will fall after the MMR is submitted. The profile will also be refined as further analysis is completed on the Month 1 operational drivers.

Further details regarding the reasons for the variance to plan reported in Table B are provided in section 4.2 below.

##### **4.2 Movements In-Month / YTD Variance**

The key areas of variance across the Health Board are summarised in the commentary below. The items below are those that drive the operational run rate pressures currently reported on Ref Line 26 of Table A and relate to the summary provided in Table 1 above:

- **Income**

The Welsh Health Specialised Services (WHSSC) Income as a provider continues to impact on the performance against plan, with an in-month underachievement of £0.3m. This relates to a continuation of the reduced activity trends reported in 2023/24.

Dental Contract Income has been accrued to breakeven in-month as a holding position until the impact of the new pricing tariff is understood and in recognition of the likely (but as yet unquantified) clawback from contractors in relation to underperformance in 2023/24.

- **Pay**

The Month 1 pay overspend was £2.8m, largely driven by Medical & Dental and Nursing across the acute sites and MH&LD in addition to Hotel Services within COO. The pay pressures are driven by a number of factors including the continuation of staffing surge bed capacity, pressures on services across the organisation and high levels acuity, coupled with high levels of sickness at 6.67% for the month of March 2024. This is a key area of immediate and direct focus.

- **Clinical Consumables**

This area continues to be a significant pressure with an in-month position of £1.7m. There are 80+ subjective lines within this category including secondary care drugs but areas seeing most pressures YTD continue to be general consumables (M&SE), laboratory products and implants (which in part will be driven by activity).

- **Non Delivery Savings**

The Health Board has set a 2.5% savings target for 2024/25 which has been issued to Service Areas. There is currently a gap in the identification, and therefore delivery, of savings to meet the target sets has resulted in a £2.0m variance in Month 1.

- **Prescribing**

At Month 1 the in-month position reflected in the ledger on Prescribing is breakeven following the issuing of both growth and price inflationary investments within the Annual Plan.

#### **4.3 Movements In-Month / Forecast Actuals (Table B1)**

Comments regarding this table are not required until the Month 2 submission.

#### **4.4 Actions in Plan to Manage Risks and YTD Variance**

In response to the in-month financial position, the interim CEO has written to senior leaders across the HB to request urgent actions to address the run rate. Discussions will also be held at the Management Board on 15<sup>th</sup> May to agree immediate and lasting actions to materially reduce run rate immediately, whilst further actions are required to improve upon the deficit forecast of £50.1m.

Key areas of focus will include:

- Variable pay with a specific focus on agency costs (£78m opportunity against variable pay based on 2023/24 levels of expenditure);
- Assurance on CHC controls and robust assessments;
- Granular and deliverable savings to target levels;
- Identification of the most cost-effective way to support surge capacity with a plan to reduce surge requirements to Nil as quickly as possible; and
- Enact all actions to reduce run rate balanced with TI recovery requirements.

As noted under Section 3 on Opportunities there are other actions open to the Health Board that has the potential to reduce the planned deficit and these are focused on the thematic programmes, with each programme allocated a dedicated SRO.

#### **4.5 Other Areas of Comment:**

- **Energy Forecast (F)**  
There has been no updated NWSSP forecast since year end and therefore the forecast has not been amended for the Month 1 submission. We will review this for the Month 2 submission.
- **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.
- **Accountancy Gains (E)**  
There are no Accountancy Gains anticipated at this stage; this will remain under review during the year.

#### **5. Pay, Agency & Other Variable Pay Expenditure (Table B2)**

The Health Board Agency expenditure for Month 1 is £1.836m, which is 2.9% of the overall pay expenditure.

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

- Vacancy Cover – 60%
- Temporary Absence Cover – 12%
- Additional Support to delivery and performance – 26%
- COVID-19 – 1%

Other Variable Pay (excluding Agency) is classified by the Health Board into the following categories: Bank, Overtime, Waiting List Initiatives (WLI) and Irregular Sessions and all of these have been included within the Table. A summary split by category is provided below:

Category	In-month expenditure £'000
Bank	1,432
Overtime	881
WLI	441
Irregular Sessions	498
<b>Total</b>	<b>3,252</b>

Both Agency/Premium Locum and Other variable pay remain key areas of focus for opportunities to reduce the current run rate of expenditure.

## 6. COVID-19 (Table B3)

The total forecast expenditure shown on Table B3 for 2024/25 is currently £7.188m following a capping of expenditure versus the funding provided as part of the Annual Planning cycle. This action has been taken to drive efficiency within this element of the Health Board. The breakdown of this by area of COVID is provided below:

£'000	Funding	Plan / Forecast
Health Protection (including PPE)	3,994	3,154
Vaccination Programme	4,400	3,080
Long COVID	954	954
<b>Total</b>	<b>9,348</b>	<b>7,188</b>

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

The position reported in the MMR by each area is provided in the table below:

Service Area	2024/25 Savings Target £'m	Identified Schemes £'m	In-Year Shortfall £'m	Recurrent Schemes £'m	Recurrent Shortfall £'m
Corporate	4.7	1.3	3.4	1.3	3.4
NPTS Service Group	8.0	0.0	8.0	0.0	8.0
Morrison Service Group	7.8	0.0	7.8	0.0	7.8
MH&LD Service Group	2.6	3.2	(0.6)	1.9	0.7
PCT Service Group	3.1	0.0	3.1	0.0	3.1
<b>Total</b>	<b>26.1</b>	<b>4.5</b>	<b>21.6</b>	<b>3.2</b>	<b>22.9</b>

The level of unidentified savings, along with the need for run rate reductions, has been escalated to Service Leads through the communication from the Interim Chief Executive. Further escalation thresholds have been set to ensure that Service Areas receive robust scrutiny and challenge.

The accountability letters published at the end of April 2024 require each Service Area to submit a detailed Financial Strategy by the 31<sup>st</sup> May 2024, which will include savings delivery, management of budgets and overarching governance. Therefore, further details on savings will be submitted aligned to this and so will appear in the Month 2 MMR submission.

**8. Welsh NHS Assumptions (Table D)**

Table D reflects the Agreement of Balances position as at Month 12 2023/24. An update will be provided once available.

**9. Resource Limits (Table E)**

Table E provides the allocations received and those anticipated by the Health Board.

**10. Statement of Financial Position (Table F)**

This table is not required until the Month 3 submission.

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

This table is not required until the Month 2 submission.

**12. Public Sector Payment Compliance (Table H)**

This table is not required until the Month 3 submission.

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

This table is not required until the Month 2 submission.

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

This table is not required until the Month 2 submission.

**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 March. The value of NHS debts outstanding for between 11 and 17 weeks amounted to £85k at the end of April 2024 (March 2024 - £50k) with the number of invoices increasing in this category to 21 compared to 8 invoices as at the end of March 2024.

Of the outstanding invoices between 11 and 17 weeks old, 12 invoices (£7k) have been paid since the end of April 2024.

The outstanding invoices shown in Table M for belong to BCU (£3k) and Cwm Taf (£82k) with the oldest invoice still outstanding (19 weeks) despite having assurances that a PO had been raised on 12th March. We are still actively chasing this invoice. The invoice was agreed at M10 2023/24 NHS Agreement of Balances.

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

These tables are not required until the Month 3 submission.

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.

**17. Governance Arrangements**

In the absence of the Chief Executive, the monthly monitoring return submission will be approved by Darren Griffiths (Acting Deputy Chief Executive) and for the Director of Finance by Samantha Moss (Deputy Director of Finance).

These Monitoring Returns will be circulated to the membership of the Health Board's Performance and Finance Committee on 21<sup>st</sup> May 2024.

Yours sincerely,



.....  
**SAMANTHA MOSS**  
**DEPUTY DIRECTOR OF FINANCE**



.....  
**DARREN GRIFFITHS**  
**DIRECTOR OF FINANCE & ACTING**  
**DEPUTY CHIEF EXECUTIVE**

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

