

## AGENDA ITEM

7.1

### CTM BOARD

### FINANCE UPDATE – MONTH 7 of 2020/21

<b>Date of meeting</b>	26/11/2020
<b>FOI Status</b>	Open/Public
<b>If closed please indicate reason</b>	Not Applicable - Public Report
<b>Prepared by</b>	Mark Thomas, Deputy Director of Finance
<b>Presented by</b>	Steve Webster, Director of Finance & Procurement
<b>Approving Executive Sponsor</b>	Executive Director of Finance & Procurement
<b>Report purpose</b>	FOR DISCUSSION / REVIEW

### Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/group)

Committee/Group/Individuals	Date	Outcome
Welsh Government	13/11/2020	NOTED

### ACRONYMS

A&C	Administration & Clerical	I&E	Income & Expenditure
AWCP	All Wales Capital Programme	LTA	Long Term Agreement
AME	(WG) Annually Managed Expenditure	M1	Month 1 (M2 Month 2 etc)
CHC	Continuing Healthcare	PCMH	Primary Community & Mental Health
COO	Chief Operating Officer	PCH	Prince Charles Hospital
CRES	Cash Releasing Efficiency Savings	POW	Princess of Wales Hospital
CRL	Capital Resource Limit	RGH	Royal Glamorgan Hospital

FNC	Funded Nursing Care	PSPP	Public Sector Payment Policy
HCHS	Healthcare & Hospital Services	WG	Welsh Government
IHI	Institute of Healthcare Improvements	WHSSC	Welsh Health Specialised Services Committee
IMTP	Integrated Medium Term Plan	YTD	Year to Date

## **FINANCE REPORT – MONTH 7 of 2020/21**

### **1. SITUATION/BACKGROUND**

The purpose of this report is to highlight the key messages in relation to the current month, year to date and forecast year-end financial position of Cwm Taf Morgannwg (CTM) University Health Board as at Month 7 (M7).

This report should be read in the context of the CTM Integrated Medium Term Plan for 20120/21 to 2022/223 which is available on the website. The IMTP was approved by the Board on 26 March 2020. The following key issues are highlighted in relation to the financial plan for 2020/21:

- The Welsh Government indicated that it was supportive of the Health Board assuming £5m bridging funding from the WG in 2020/21.
- During 20/21 the Transformation Team at WG confirmed their agreement to re-profile £4.5m of our Transformation funding between 2019/20 and 2020/21.
- The Health Board has already received £3.5m of funding for TI support in 2020/21.
- The impact of Covid-19 has had a significant impact on the financial plan for 20/21.

An updated position on the first three items is provided in Section 2 below.

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## 2. HEADLINE MESSAGES AND KEY ACTIONS

### 2.1.1. Headline Messages

As the Board is aware, significant additional funding has been provided by the Welsh Government to support the Health Board's Covid response and also for winter schemes. The latest assessment of additional funding is £75.2m additional Covid funding (£56.2m allocated to Health Board's under a formula and £19.0m estimated by the Health Board under the WG's commitment to fund key programmes such as TTP), and £3.1m for Winter schemes. The level of this funding means that the Health Board does not need the bridging funding previously sought from WG, and so this request has been withdrawn. The net additional funding therefore anticipated is £73.3m.

The planned use of these funds has been profiled over months 1 -6 to reflect costs already incurred, and over the rest of the financial year in line with our Q3-4 plan. As a result, if expenditure in Month 7 was in line with the previous forecast (which has now become the plan), then we would be in a breakeven position for the year to date in Month 7. The actual position for Month 7 is a year to date surplus of £0.6m, which is largely attributable to a slightly different phasing of expenditure than planned over months 7 to 12.

Feedback has been received from the Welsh Government on the Health Board's Q3-4 financial plan. The key aspect of this feedback was that WG was concerned that the Health Board may not be able to fully spend the amounts projected over Q3-4. This concern applied to both the feasibility of planned early repayment of Invest to grants (in 2020/21) and to the practical feasibility of delivering the significant increases in pay expenditure included in the plan, which are driven by our Covid response plans and schemes to mitigate the impact of Winter demand pressures. If this was to occur, then some element of the funding allocated to CTM would then not be utilised, when this could potentially be utilised elsewhere to the benefit of patients or the broader population. The Welsh Government has therefore asked CTM to further review the deliverability of its Q3-4 plan and resultant forecast expenditure, and to assess whether there is an element of the additional funding outlined above which would fall to CTM under the Q3-4 planning guidance, but which CTM cannot realistically utilise, and if so to return that element of resource to the Welsh Government so that it can be utilised in other ways for the benefit of the population. This assessment and any return of resource needs to be undertaken quickly so that there is time for it to be utilised elsewhere. It needs to take account of the work being done to review the balance sheet, and the projected release from the balance sheet in the current financial year.

The Health Board was part way through undertaking this assessment at the time this Month 7 report was drafted. The resultant forecast of £6.7m surplus resource included in the forecast section of this report reflected the forecast surplus resource at that

time, and this was included in the Month 7 Monthly Monitoring Return provided to Welsh Government. This £6.7m compares to £4.8m included in the Q3-4 plan as a return of revenue allocation to WG, made up of £1.7m slippage in utilising TI funding and £3.1m requested to be transferred to capital. However, it has been made clear to WG that this forecast is only interim. The further work on the review of the plan and the forecast is described in section 3.4 below. This will be reported to the Board in the In Committee section of the agenda, with a recommendation on any resource proposed to be returned to the Welsh Government.

I can assure Board Members that we are exploring all possible means to use the resources available to us for the benefit of the communities we serve. Nevertheless, particularly given the workforce limitations all Health Boards are facing we find ourselves in the unique and unprecedented position where, despite our best efforts, we may not be able to spend all the money that is available to us in 2020/21.

While the Health Board is able to forecast breakeven for 2020/21 as a result of the additional funding from the Welsh Government, it is important to note that this funding is only for the current year. There are a number of concerns for the forthcoming 2021/22 year in that:-

- The required focus on the Covid response has meant that there has been limited development of the savings programme and the recurrent deficit has increased for this reason
- Clearly a substantial element of the various areas of response to Covid will continue into 2021/22
- At present the likely level of resources available in 2021/22 is not clear, but will start to become clearer following the announcement of the Welsh Government draft budget in December.

### **2.1.2. Key actions**

Following the allocation of additional funding to delegated budgets for the Q3/Q4 Plan in M7, the key next steps include:

- Managing to the new delegated budgets for 20/21 following allocation of the further WG Covid funding.
- Finalising the forecast for 20/21 and any associated level of allocation to be returned to WG
- Increasing the focus and traction on savings plans and delivery in order to meet the latest forecasts for 20/21 and also to limit the recurrent impact going into 21/22.
- Agreeing the key principles, assumptions and approach for determining the forecast recurrent position going into 21/22 in preparation for the 21/22 IMTP.

### 3. SPECIFIC MATTERS FOR CONSIDERATION BY THIS MEETING (ASSESSMENT)

#### 3.1 Financial Position and Key Targets – Month 7

The Health Board has a statutory duty to achieve a break even position over a period of three financial years. This applies to both revenue and capital expenditure. Over the last two financial years, the Health Board has achieved a surplus of £899k and £34k for revenue and capital expenditure respectively. This means that the Health Board can overspend by £899k and £34k for revenue and capital expenditure respectively in 2020/21 and still meet its three year statutory duty. The Health Board's plan for 2020/21 is to break-even on both measures. The Health Board also has an administrative duty to pay a minimum of 95% of all non-NHS invoices within 30 days.

The table below details the Health Board's 2020/21 current and forecast performance against these key financial targets:

Target	Unit	Current Month	Year to Date	Trend	Forecast Year End
<b>Revenue</b> To ensure that the Health Board's revenue expenditure does not exceed the aggregate of it's funding in each financial year. Measured by variance against plan to break even.	£'000 +Adverse ( )Favourable	(622)	(622)	↑	0
<b>Capital</b> To ensure net capital spend does not exceed the Welsh Government Capital Resource Limit. Measured by variance against plan to manage to the Resource Limit	£'000 +Adverse ( )Favourable	(970)	(3,471)	↑	0
<b>Public Sector Payment Policy</b> To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance	%	94.9%	93.2%	↑	94.4%



### 3.2 Revenue Performance by Expenditure Category

	Annual Budget  £'000	Over/(Under) Spend				Section
		Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000	
<b>Delegated Budgets</b>				<b>Section 3.4</b>	<b>Section 3.4</b>	
Pay	564,015	(13,310)	(745)			
Non Pay	711,636	(7,758)	(3,543)			
Income	(129,958)	(4,096)	2,042			
Delegated Savings Plans	(6,229)	(4,587)	1,623			
<b>Total Delegated Budgets</b>	<b>1,139,464</b>	<b>(29,751)</b>	<b>(622)</b>			
Non Delegated Budgets	84,839	1,231	48			3.7
WG COVID Allocations	(94,545)	(30,360)	(48)			
WG Allocations	(1,1429,758)	0	0			
<b>GRAND TOTAL M7</b>	<b>0</b>	<b>(622)</b>	<b>(622)</b>	<b>0</b>	<b>25,900</b>	
<b>GRAND TOTAL M6</b>	<b>0</b>	<b>(13,361)</b>	<b>0</b>	<b>0</b>	<b>24,900</b>	

During M7, £74m of additional funding was allocated to Delegated budgets to meet the forecast overspends in the Q3/Q4 Plan plus additional funding for winter plans and various other Covid related costs. This has resulted in a £29.7m In month surplus and a £0.6m YTD surplus on Delegated budgets in M7. The M7 YTD overspend of £0.6m therefore represents operational variances from the forecast overspends in the Q3/Q4 Plan.





### 3.3 Revenue Performance by Area

	Annual Budget £'000	Over/(Under) Spend			
		Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000
<b>Integrated locality groups:</b>				<b>Section 3.4</b>	<b>Section 3.4</b>
Bridgend	222,110	(3,663)	32		
Merthyr & Cynon	186,651	(1,242)	172		
Rhondda & Taff Ely	204,487	(2,555)	(215)		
<b>Total</b>	<b>613,248</b>	<b>(7,460)</b>	<b>(11)</b>		
<b>Delivery Executive:</b>					
Medicines Mgt	139,607	(2,816)	58		
Primary care	126,357	(2,075)	(487)		
Facilities	18,229	(2,390)	124		
COVID Planned projects	19,632	(10,231)	0		
Other	3,489	(85)	(4)		
<b>Total Delivery Executive</b>	<b>307,313</b>	<b>(17,597)</b>	<b>(309)</b>		
Contracting & Commissioning	133,621	(621)	(1,580)		
Corporate Functions	85,281	(4,073)	1,278		
<b>GRAND TOTAL M7</b>	<b>1,139,464</b>	<b>(29,751)</b>	<b>(622)</b>		
<b>GRAND TOTAL M6</b>	<b>1,058,945</b>	<b>6,596</b>	<b>29,129</b>		

#### Key Year To Date variances

- The £1.6m Contracting underspend includes a £1.2m improvement in the WHSSC position and a £0.2m improvement in the Velindre position which arose during M7.
- The £1.3m overspend on Corporate functions includes W&OD (£537k), Estates (£532k) and ICT (£263k). The W&OD overspend includes additional costs associated with overseas nurse recruitment for which funding is held in Reserves. With regard to ICT this variance relates to ongoing COVID agency costs not factored into Q3/Q4 plans. Further work is being undertaken on the Estates to confirm if these are budget phasing issues or real overspends.
- The £0.5m underspend in Primary care is attributed to low spend on Cluster funded projects which are expected to catch up later in the year.

### 3.4 Forecast Position

The Health Board is continuing to forecast a break-even position for 20/21 (M6: break-even).

The Q3/Q4 Plan included an uncommitted balance of £19.2m for the following items pending further discussions with WG:

	Q3/Q4 Plan
	£m
Proposed Carry forward of Transformation funding to 21/22	4.5
Proposed carry forward of Bridging funding to 21/22	5.0
Proposals for early repayment and deferral of I2S funding	5.0
Proposals for Revenue to Capital transfers	3.0
Proposed carry forward of TI funding	1.7
<b>Total</b>	<b>19.2</b>

Following further discussions with WG and FDU colleagues, the following changes were reflected in the M7 Monitoring Return submission to WG:

	Q3/Q4 Plan	M7 update
	£m	
Transformation funding	4.5	Previous assumed allocation now removed. Request to be made to re-provide the £4.5m slippage in 21/22.
Bridging funding	5.0	Previous assumed allocation now removed
Other three items above	9.7	Proposed draft allocation adjustment to return funding of £6.7m. This is on the assumption based on WG feedback that early repayment of I2S funding is not possible but this remains to be confirmed. The £9.7m in the Q3/Q4 plan has been reduced by £3m to reflect the reduced allocation of £1.8m for UEC proposals. ( Q3/Q4 Plan : £4.8m)
<b>Total</b>	<b>19.2</b>	

A summary of the M7 forecast position is provided below:

	M7	M6
<b>IMTP / Annual Operating Plan</b>	£m	£m
Lower efficiency savings than planned due to focus on the Covid response	(9.9)	(9.6)
Additional in year Welsh Government funding for Covid	94.5	91.1
Higher operational expenditure due to Covid	(76.5)	(77.2)
Offset from lower expenditure due to reduced planned care activity as a result of Covid	8.8	8.1
Slippage on planned investments due to Covid	3.3	3.1
<b>Forecast outturn variance to plan attributable to Covid (underspend)</b>	<b>20.2</b>	<b>15.5</b>
<b>Forecast Outturn Non Covid-19 (overspend)</b>	<b>(1.1)</b>	<b>14.0</b>
Other changes forecast	0	(29.5)
Net cost of Winter plans in excess of funding	(7.0)	0
Additional release from the balance sheet	5.8	0
Non recurring spend initiatives	(6.2)	0
Removal of request for WG bridging funding- see above	(5.0)	0
Draft element of WG funding not required	(6.7)	0
<b>Total</b>	<b>0</b>	<b>0</b>

It is important to note that:

- The Covid: Non Covid distinction is becoming increasingly difficult as the response becomes broader and the Covid, Winter, Essential services response covers most services and cost changes.
- The £6.7m draft estimate of WG funding not required is a provisional figure pending work on assessing the forecast outturn both internally and with WG. The final level of assessed slippage is planned to be reflected in a return of allocation to WG on the basis that CTM cannot utilise it.
- The M7 forecast position assumes an extra release from the balance sheet of £5.8m, which is consistent with the Q3/Q4 plan and this is net of an increased provision being made for annual leave in 20/21. A separate report on the forecast balance sheet will be made to the Audit & Risk Committee in December, followed by an update to the Board.

Consideration of potential variance from forecast spend on these items are included in the Risks & Opportunities table in Section 3.8 below.

As noted above the M7 Monitoring Return to WG included a proposed draft allocation adjustment to return funding of £6.7m, based on WG feedback that early repayment of I2S funding was not likely to be possible, but this remains to be confirmed.

Further review is underway and will be reported to the Health Board in the In Committee section of the meeting. The key areas of the forecast that need to be reviewed and considered before we can confirm the forecast and any allocation recommended to be returned to WG are summarised below:

	<b>£m</b>
Draft allocation adjustment to return funding as per the M7 Monitoring Return submission to WG	<b>6.7</b>
Early repayment of I2S funding- We are awaiting final confirmation but based on our latest discussions with WG this may now be possible for 20/21	(5.0)
Potential slippage on Q3/Q4 Plan- The latest estimate is £3.0m (See Section 3.8) and this will be updated following receipt of the bottom up forecasts from the ILGs, Delivery Executive and Corporate directorates on 20 November.	3.0
Assumed contingency for uncertainties and potential further changes over M8-M12	(3.0)
Annual leave accrual – The estimated increase to the Annual leave accrual is currently of £5.5m. A consistent approach is needed across Wales and this could result in an increase to the £5.5m estimate.	tbc
Balance sheet forecast – The latest forecast assumes a net release from the balance sheet (after allowing for the annual leave accrual increase) of £5.8m.	tbc
<b>Total</b>	<b>1.7</b>

Further work is ongoing on finalise these issues. An update on the forecast and an associated recommendation regarding any return of allocation to WG will be provided in the In Committee section of the Board meeting.

## Forecast recurrent position

The planned recurrent deficit at the end of 20/21 was £13.4m. As at Month 7 we are reporting a forecast recurrent deficit of £25.9m:

	<b>M7</b>	<b>M6</b>
	<b>£m</b>	<b>£m</b>
<b>Planned recurrent deficit</b>	<b>13.4</b>	<b>13.4</b>
Forecast shortfall in recurring savings delivery	12.5	11.5
<b>M5 Forecast</b>	<b>25.9</b>	<b>24.9</b>

At this stage it is very difficult to estimate the full impact of Covid on the recurrent financial position going into 20/21 and further work is needed to fully understand the impact of Covid 19 and resetting on the underlying cost base. It is however, clear that it will be considerably in excess of the £25.9m shown, due to a range of likely ongoing requirements and impacts, including TTP, Covid vaccination, ongoing direct impacts of Covid, and continuation of new interventions to maintain services during Covid and Winter. The above forecast will be updated as part of our detailed planning for 21/22.

### 3.5 Covid Position

A high level summary of the forecast additional Covid costs for 20/21 is provided below.

As noted above, the Covid: Non Covid distinction is becoming increasingly difficult as the response becomes broader and the Covid, Winter, Essential services response covers most services and cost changes.

	Q1	Q2	Q3	Q4	Total
Area of cost impact	£m	£m	£m	£m	£m
Pay	7.3	6.0	10.4	8.0	31.7
Non Pay and Income	10.7	12.0	11.9	12.4	47.0
Impact on savings delivery	4.1	2.2	2.1	1.6	9.9
Operational expenditure reductions	(6.0)	(2.6)	(2.1)	(0.3)	(10.9)
Slippage on planned investments/repurposing of development funding	(1.3)	(0.9)	(0.5)	(0.6)	(3.3)
<b>Sub total</b>	<b>14.8</b>	<b>16.6</b>	<b>21.8</b>	<b>21.2</b>	<b>74.3</b>
<b>WG funding</b>	<b>(10.3)</b>	<b>(21.1)</b>	<b>(21.8)</b>	<b>(41.4)</b>	<b>(94.5)</b>
<b>Total</b>	<b>4.5</b>	<b>(4.5)</b>	<b>(0)</b>	<b>(20.2)</b>	<b>(20.2)</b>

Notes:

1. The additional costs associated with Whole Community Testing in Merthyr are not yet available but it is assumed that these costs will be funded as part of the TTP programme funding.

More detailed information on the specific cost drivers is provided overleaf:



	1	2	3	4	5	6	7	8	9	10	11	12				
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total YTD	Forecast year-end position	Mth 6 F/Cast	Change from M6 Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Vale Field Hospital	1,536	183	191	458	0	(754)	2	0	0	0	0	0	1,616	1,616	1,614	2
Bridgend Field Hospital	951	984	350	(43)	36	667	1,561	755	935	761	761	777	4,506	8,494	10,937	(2,443)
Marsh House Nursing Home	47	140	78	138	51	(31)	19	20	20	20	20	20	442	540	552	(13)
Abergaw Nursing Home	55	138	112	197	56	(17)	43	0	0	0	0	0	584	584	541	43
Internal Capacity	71	79	134	114	51	111	71	361	361	361	61	61	631	1,837	2,127	(290)
Operational Expend. Reduction	(726)	(1,816)	(2,211)	(1,347)	(1,089)	393	(837)	(600)	(500)	(50)	(50)	(50)	(7,632)	(8,882)	(8,096)	(786)
Private Patient Income	160	244	149	213	181	190	25	113	113	113	113	113	1,162	1,727	2,276	(549)
PPE	96	131	188	208	243	33	233	333	333	333	333	333	1,132	2,797	2,797	0
Med Staff	380	347	717	329	(35)	207	(393)	289	289	289	89	89	1,552	2,597	3,799	(1,202)
Free Food	225	230	(207)	0	0	0	0	0	0	0	0	0	248	248	248	0
Essential Services Backlog	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CHC	0	0	0	0	0	3,400	0	0	1,250	0	0	1,250	3,400	5,900	3,400	2,500
Staff Welfare	3	3	3	3	3	3	3	3	3	3	3	3	21	36	36	0
PC Prescribing	0	0	1,371	1,772	549	260	473	600	600	600	600	602	4,425	7,427	7,630	(203)
Primary Care	339	247	585	678	152	478	434	674	681	680	678	791	2,913	6,417	6,691	(274)
Flu Expansion	0	0	0	0	0	0	0	350	350	0	0	0	0	700	1,200	(500)
IT	40	60	61	(106)	171	80	62	126	20	0	0	0	368	514	482	32
Project Management	0	41	27	21	0	0	0	0	0	0	0	0	89	89	89	0
Antigen testing	0	61	60	209	338	205	256	314	388	398	398	403	1,129	3,031	2,947	84
AntiB testing	0	0	0	0	348	68	(40)	27	65	65	65	65	376	662	764	(102)
Hospital Based Testing	0	77	153	141	159	63	40	134	134	134	134	134	633	1,305	1,193	112
Contact Tracing	0	0	0	0	0	311	564	563	718	730	735	735	875	4,355	3,387	968
Mass Vaccination	0	0	0	0	0	0	0	500	1,100	500	0	0	0	2,100	2,100	0
Excess Deaths	30	0	15	15	23	11	11	0	0	0	0	0	105	105	94	11
Students	0	815	893	1,002	543	418	222	150	0	0	0	0	3,893	4,043	4,071	(28)
HCSW FT Recruitment	0	0	0	216	223	(92)	203	310	310	310	230	110	550	1,820	1,817	3
Private Hospitals	0	0	0	0	0	0	0	0	0	500	500	500	0	1,500	1,500	0
Other	1,535	2,195	454	1,210	667	1,206	2,244	1,430	1,410	1,266	1,266	1,266	9,512	16,148	14,873	1,274
<b>SUBTOTAL</b>	<b>4,742</b>	<b>4,161</b>	<b>3,123</b>	<b>5,428</b>	<b>2,669</b>	<b>7,210</b>	<b>5,196</b>	<b>6,452</b>	<b>8,579</b>	<b>7,012</b>	<b>5,935</b>	<b>7,201</b>	<b>32,529</b>	<b>67,709</b>	<b>69,068</b>	<b>(1,360)</b>
Undelivered Savings	1,554	1,901	600	792	563	801	523	786	772	638	636	363	6,734	9,929	9,606	323
Slippage/Repurposing	(273)	(269)	(752)	(318)	403	(981)	(91)	(207)	(208)	(207)	(207)	(208)	(2,281)	(3,318)	(3,078)	(240)
WG COVID Funding			(10,289)	0	(794)	(20,270)	(5,628)	(7,031)	(9,143)	(7,443)	(6,364)	(27,582)	(36,981)	(94,545)	(91,057)	(3,488)
<b>TOTAL</b>	<b>6,023</b>	<b>5,793</b>	<b>(7,318)</b>	<b>5,902</b>	<b>2,841</b>	<b>(13,240)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,226)</b>	<b>1</b>	<b>(20,225)</b>	<b>(15,461)</b>	<b>(4,764)</b>

Further information on the key areas of additional costs and the movements from the M6 forecast are summarised below:

**Field hospitals and nursing homes (£11.2m)** -The M6 forecast of £13.6m has reduced by £2.4m to £11.2m. The key movements are shown below:

	<b>M7</b>	<b>M6</b>
	<b>£m</b>	<b>£m</b>
Field hospitals – set up costs	5.1	4.9
Field hospitals – decommissioning costs	0.4	0.7
Running costs	1.8	1.8
Estimated additional staffing costs to open up extra beds for a second peak	3.9	6.2
<b>Total</b>	<b>11.2</b>	<b>13.6</b>

During M7, the forecast bed requirements has reduced from 144 to 72 beds reducing the forecast additional cost by £2.3m.

**TTP (Track, Trace & protect including Antigen and Antibody testing (£9.3m))** - The revised plan for antigen and antibody testing and the Health Board's contribution to contact tracing and surveillance has a cost of £9.3m. The main changes from the M6 forecast of £8.3m is due to the increased demand projections for Track & Trace and the corresponding additional staffing required by the Local Authorities to manage these new levels of demand.

**Use of the Vale and Cardiff Bay Nuffield Facilities (£1.5m)** – The latest forecast assumes a cost of £1.5m for the period Jan to March 2021(M6:£1.5m).

#### **Primary Care Prescribing (£7.4m)**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total M7</b>	<b>Total M6</b>
<b>Area of cost impact</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Primary care prescribing	1.4	2.5	1.8	1.7	7.4	7.6



The latest projection of £7.4m assumes a small reduction in the rate of over spend in Months 6-12. Given the large degree of uncertainty as regards the ongoing impact, there is a large margin of error around this estimate and this been reflected in the Risk table (see Section3.6).

### **Additional costs in Primary Care (£6.4m) plus extended Flu programme (£0.7m)**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total M7</b>	<b>Total M6</b>
<b>Area of cost impact</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Loss of dental patient charge income	1.5	1.4	1.1	1.3	5.4	5.6
Reduced dental contract payments	(1.1)	(0.5)	0	0	(1.6)	(1.6)
<b>Dental sub total</b>	<b>0.4</b>	<b>0.9</b>	<b>1.1</b>	<b>1.3</b>	<b>3.8</b>	<b>4.0</b>
Investment in Clusters	0.4	0	0.5	0.6	1.5	1.5
Other ( including GP Hub and Enhanced services)	0.4	0.4	0.1	0.2	1.1	0.9
Estimated costs of extending Flu to 50+ age group	0	0	0.7	0	0.7	1.2
<b>Total</b>	<b>1.2</b>	<b>1.3</b>	<b>2.4</b>	<b>2.1</b>	<b>7.1</b>	<b>7.9</b>

The above forecast for the loss of dental patient charge income is based on actual income of £80k in Q1, £216k in Q2. Dental practices with NHS contracts will receive 90% of their annual contract values for the period 1 July to 30 Sept (Q1 – 80%). Our forecast assumption is that payments will remain at 100% for Q3 and Q4.

An additional £1.5m investment in various aspects of primary care services as part of the Covid and resetting response is planned. However, as this is planned to be funded through re-purposing of WG primary care cluster funding there is no net cost.

An initial estimate has been included in the forecast to extend the flu vaccination programme to the 50+ age group. This has reduced in M7 following confirmation that the vaccine costs would be covered centrally.



### PPE (£2.8m)

	Q1	Q2	Q3	Q4	Total M7	Total M6
Area of cost impact	£m	£m	£m	£m	£m	£m
PPE	0.4	0.5	0.9	1.0	2.8	2.8

The above forecast includes an additional £0.5m of costs for a second peak in Nov- March.

### Medical Staff (£2.6m)

	Q1	Q2	Q3	Q4	Total M7	Total M6
Area of cost impact	£m	£m	£m	£m	£m	£m
Medical staffing	1.5	0.5	0.2	0.4	2.6	3.8

The above forecast includes an additional £0.6m of costs for a second peak in Nov, Dec and Jan. These costs include the impact of new Welsh Government guidance (relating to consultants, SAS, doctors and junior medical staff) on claims for additional medical staff hours. A breakdown of the actual costs for Q1 and Q2 is provided below:

	Q1	Q2	M7	M7 YTD
	£k	£k	£k	£k
Bridgend ILG	713	468	(271)	910
Merthyr & Cynon ILG	534	137	(24)	647
Rhondda & Taf ILG	198	38	39	275
Other	0	(142)	(137)	(280)
<b>Total</b>	<b>1,445</b>	<b>500</b>	<b>(393)</b>	<b>1,552</b>



### Internal capacity (£1.8m)

	Q1	Q2	Q3	Q4	Total M7	Total M6
Area of cost impact	£m	£m	£m	£m	£m	£m
Internal capacity	0.3	0.3	0.8	0.4	1.8	2.1

The above forecast includes an additional £0.9m of costs for a second peak in Nov, Dec and Jan.

### Students (£4.1m) and HCSWs (£1.8m)

	Q1	Q2	Q3	Q4	Total M7	Total M6
Area of cost impact	£m	£m	£m	£m	£m	£m
Students	1.7	2.0	0.4	0	4.1	4.1
HCSW's Fixed Term recruitment	0	0.3	0.8	0.7	1.8	1.8
<b>Total</b>	<b>1.7</b>	<b>2.3</b>	<b>1.2</b>	<b>0.7</b>	<b>5.9</b>	<b>5.9</b>

The additional cost of HCSW's on temporary contracts is based on the 120 WTEs currently going through the recruitment process.

### Other reactive costs including ward nursing (£16.1m)

	Q1	Q2	Q3	Q4	Total M7	Total M6
Area of cost impact	£m	£m	£m	£m	£m	£m
Other reactive costs	4.2	3.1	5.0	3.8	16.1	14.9

A breakdown of the M6 YTD costs is provided below:

	<b>BG</b>	<b>MC</b>	<b>RT</b>	<b>Other</b>	<b>Total</b>
	<b>M7 YTD</b>	<b>M7 YTD</b>	<b>M7 YTD</b>	<b>M7 YTD</b>	<b>M7 YTD</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Registered nursing	2015	605	790	153	3,563
Add Clinical services	462	658	778	40	1,937
A&C	127	4	26	375	532
Other pay	206	207	192	282	888
Non pay & income	287	389	203	1,713	2,592
<b>Total</b>	<b>3,097</b>	<b>1,862</b>	<b>1,989</b>	<b>2,564</b>	<b>9,512</b>

The Non pay & income overspend with 'Other' of £1,713k includes:

- Laundry Services - £642k
- M&S Consumables - £329k
- Loss of SLA Income - £194k

### **Operational expenditure decreases (£8.9m)**

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Total M7</b>	<b>Total M6</b>
<b>Area of cost benefit</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Operational expenditure reductions due to reduced elective activity	(4.8)	(2.0)	(1.9)	(0.2)	(8.9)	(8.1)

Following a direction from WG, the M6 position has been adjusted to move £1.2m of WHSSC underperformance from Operational expenditure decreases to Slippage on investments (see below).

The actual reduction in clinical consumables and drugs costs from the cessation of routine elective activity in Q1 was £4.8m. The original position for Q2 was £3.2m, which reduced to £2m after allowing for the WHSSC adjustment noted above. This downward

trend is expected to continue with more significant reductions anticipated in Q4. Recognising that there is a margin of error around the Q4 estimates, a potential opportunity has been included in the M7 risk table.

A breakdown of the M7 YTD costs is provided below:

	<b>Q1</b>	<b>Q2</b>	<b>M7</b>	<b>M7 YTD</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Bridgend ILG	(1,142)	(863)	(506)	(2,511)
Merthyr & Cynon ILG	(948)	(490)	(209)	(1,647)
Rhondda & Taf ILG	(931)	(950)	(258)	(2,139)
Medicines Mgt	(1,017)	(290)	295	(1,012)
Contracting & Commissioning	(714)	550	(159)	(323)
<b>Total</b>	<b>(4,752)</b>	<b>(2,043)</b>	<b>(837)</b>	<b>(7,632)</b>

The Medicine Mgt under spend of £1.0m includes reductions in NICE expenditure and other drugs/vaccines expenditure.

### **Impact on delivery of efficiency savings**

The original split of the annual savings target of £20.6m was £19.0m Delegated and £1.6m Non Delegated. For 2020/21 this split has now been changed to £16.4m Delegated and £4.2m Non delegated so that the Pre Covid savings gap of £4.2m is now all shown as Non Delegated and is this is being shown as non-Covid variance.

The M7 YTD and forecast savings are summarised below.

	Month 7			Month 6		
	YTD	19/20	Recurring	YTD	19/20	Recurring
	£m	£m	£m	£m	£m	£m
Delegated Savings targets	9.5	16.3	19.0	8.1	16.3	19.0
Forecast Savings – excluding Red schemes	(2.8)	(6.4)	(8.1)	(1.9)	(6.7)	(9.1)
<b>Forecast shortfall</b>	<b>6.7</b>	<b>9.9</b>	<b>10.9</b>	<b>6.2</b>	<b>9.6</b>	<b>9.9</b>
Non Delegated Savings target	2.5	4.3	1.6	2.1	4.3	1.6
<b>Total</b>	<b>9.2</b>	<b>14.2</b>	<b>12.5</b>	<b>8.3</b>	<b>13.9</b>	<b>11.5</b>

- Actual savings in M7 was £0.9m (M6: £0.5m) and the M7 YTD savings is now £2.8m ( M6: £1.9m)
- Forecast In year savings has reduced by £0.3m in M7 and forecast recurrent savings has reduced by £1.0m.
- The latest risk assessment on the £1.9m Amber schemes within the total forecast In year savings of £6.4m is £0.4m.
- The forecast recurrent savings gap of £12.5m has been reflected in the forecast recurrent position (See Section 3.4 above).

The Health Board needs to increase the focus and traction on savings plans and delivery in order to help minimise the financial impact of Covid-19 in 2020/21, but very importantly, also to limit the recurrent impact going into 2021/22.

### **Slippage on planned investments/repurposing of development funding**

An assessment of what existing development funding can be slipped or re-purposed to help meet costs resulting from Covid-19 is provided below:



	<b>M7</b>	<b>M6</b>
	<b>£m</b>	<b>£m</b>
Transformation allocation for Covid -19	1.3	1.3
Cluster funding for 20-21 ( the inclusion of this funding has also seen a corresponding increase in Covid related costs)	1.5	1.5
Mental Health funding for 20/21	1.0	1.0
Other	0	0.1
WHSSC Investment Slippage	1.3	1.0
<b>Sub total</b>	<b>5.1</b>	<b>4.9</b>
Reclassified as WG income in M5:		
Transformation allocation for Covid -19	(1.3)	(1.3)
Mental Health funding for 20/21	(0.5)	(0.5)
<b>Total</b>	<b>3.3</b>	<b>3.1</b>

Further work is being undertaken to quantify the extent to which staff working on the Transformation project are being redeployed to Covid. Whilst this will increase the £3.3m noted above there will also be a corresponding increase in Covid costs so the impact will be cost neutral.

### 3.6 Savings Performance by Area

An analysis of the forecast savings (In year £6.4m and recurring £8.0m) by area is provided below.

Area	In year Savings Target £000	Green	Amber	Red	Current In Year Forecast	% of Current Year Forecast to Target
Bridgend ILG	3,822	304	75		379	9.9%
Merthyr & Cynon ILG	3,586	1,001	146		1,147	32.0%
Rhondda & Taf ILG	3,471	836	440		1,276	36.8%
Medicines Management	2,903	2,113	72		2,185	75.3%
Primary Care	306	1			1	0.5%
Contracting & Commissioning	784		457		457	58.3%
Corporate Directorates	1,411	374	534		908	64.3%
<b>Grand Total</b>	<b>16,282</b>	<b>4,630</b>	<b>1,724</b>	<b>-</b>	<b>6,354</b>	<b>39.02%</b>

Area	Recurrent Savings Target £000	Green	Amber	Red	Forecast recurrent savings	% of Forecast recurrent savings to Target
Bridgend ILG	5,258	471	188		658	12.5%
Merthyr & Cynon ILG	4,035	891	411		1,302	32.3%
Rhondda & Taf ILG	3,961	1,165	931		2,096	52.9%
Medicines Management	2,903	2,208	351		2,559	88.2%
Primary Care	306				0	0.0%
Contracting & Commissioning	899		600		600	66.8%
Corporate Directorates	1,610	390	398		787	48.9%
<b>Grand Total</b>	<b>18,970</b>	<b>5,124</b>	<b>2,879</b>	<b>-</b>	<b>8,003</b>	<b>42.19%</b>



### 3.7 Non Delegated budgets

The key reasons for the Month 7 and Month 7 YTD overspends are as follows:

	M7	M7 YTD	M6	M6YTD
	£k	£k	£k	£k
Shortfall v CRES target of £4.2m	359	2,519	360	2,160
Shortfall v non recurrent slippage/Non pay expenditure reduction targets of £4m	246	2,246	333	2,000
Provision for additional costs not included in the Delegated position.	(962)	1,065	227	2,027
Other variances	(939)	(5,830)	(835)	(4,891)
<b>Total</b>	<b>(1,296)</b>	<b>0</b>	<b>85</b>	<b>1,296</b>



### 3.8 Key Risks and Opportunities

	Month 7		Month 6	
	Opps	Risk	Opps	Risk
	£m	£m	£k	£k
Slippage in delivery of Q3/Q4 plan	(3.0)	0	0	0
Changes to the Balance sheet assumptions in the Q3/Q4 Plan	TBC	0	0	0
Potential change to the M6 draft forecast and the change proposals of £29.5m which are being updated in Q3/Q4 Plan submission.	0	0	TBC	TBC
Forecast additional costs associated with Winter pressures and 2 <sup>nd</sup> peak. To be updated in Q3/Q4 Plan submission.	0	0	TBC	TBC
Potential variation in the estimated 'pass through' costs for PPE, TTP, Mass vaccinations, Flu, Field hospitals and CHC.	(2.0)	2.0	(2.0)	2.0
Any variation would be matched by corresponding adjustment to assumed WG funding	2.0	(2.0)	2.0	(2.0)
Whole Community testing in Merthyr- costs TBC but assumed to be funded as part of TTP programme funding	TBC	0	0	0
Other items:				
Primary care prescribing (M7- included in Slippage in delivery of Q3/Q4 Plan)	0	0	(2.0)	0
Forecast savings (M7- included in Slippage in delivery of Q3/Q4 Plan)	0	0	0	0.7
Forecast Operational expenditure reductions (M7- included in Slippage in delivery of Q3/Q4 Plan)	0	0	(0.5)	
Securing Development plan funding that was not received in 20/21 Allocation letter	0	0	0	0.5
Securing the assumed recurrent allocation for Prevention funding that was received in 19/20.	0	1.0	0	1.0
<b>Total</b>	<b>(3.0)</b>	<b>1.0</b>	<b>(2.5)</b>	<b>2.2</b>

#### 4. IMPACT ASSESSMENT

<b>Quality/Safety/Patient Experience implications</b>	There are no specific quality and safety implications related to the activity outlined in this report.
<b>Related Health and Care standard(s)</b>	Governance, Leadership and Accountability
<b>Equality impact assessment completed</b>	Not required
<b>Legal implications / impact</b>	There are no specific legal implications related to the activity outlined in this report.
<b>Resource (Capital/Revenue £/Workforce) implications / Impact</b>	Yes (Include further detail below)
	The paper is directly relevant to the allocation and utilisation of resources.
<b>Link to Main Strategic Objective</b>	To provide strong governance and assurance
<b>Link to Main WCFG Act Objective</b>	Service delivery will be innovative, reflect the principles of prudent health care and promote better value for users

#### 5. RECOMMENDATION

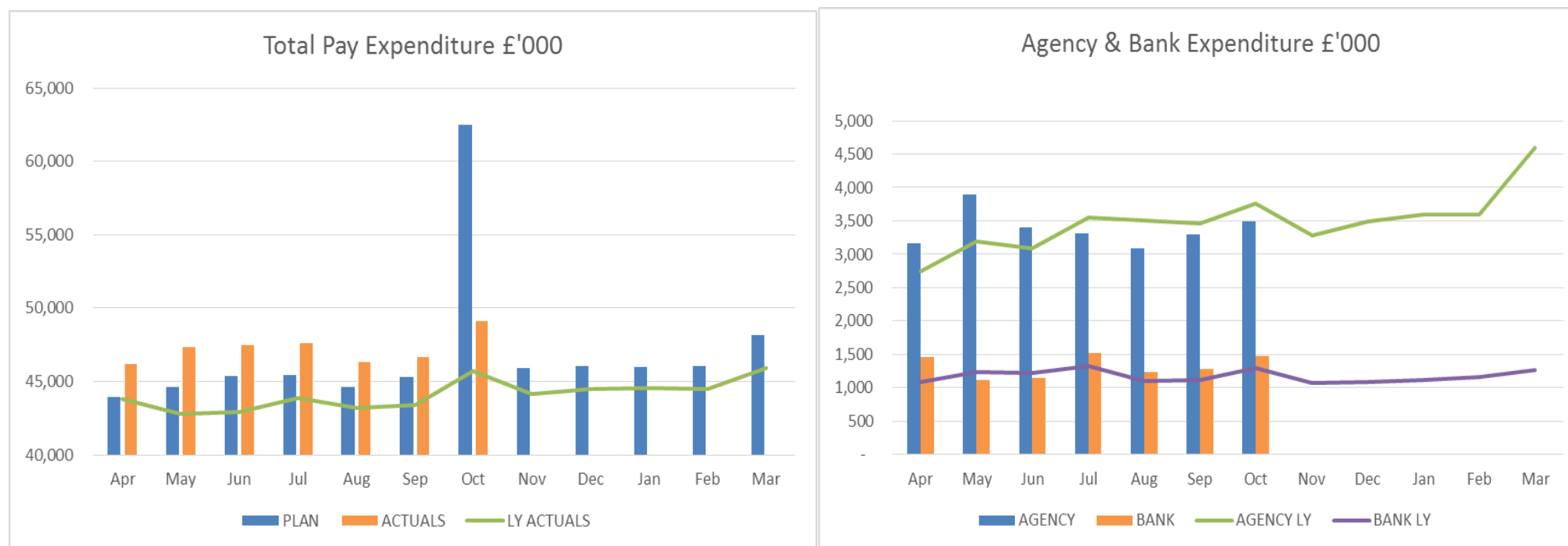
The Board is asked to:

- **DISCUSS** the contents of the Month 7 Finance report for 2020/21.



## APPENDIX A

### TREND ANALYSIS – TOTAL PAY

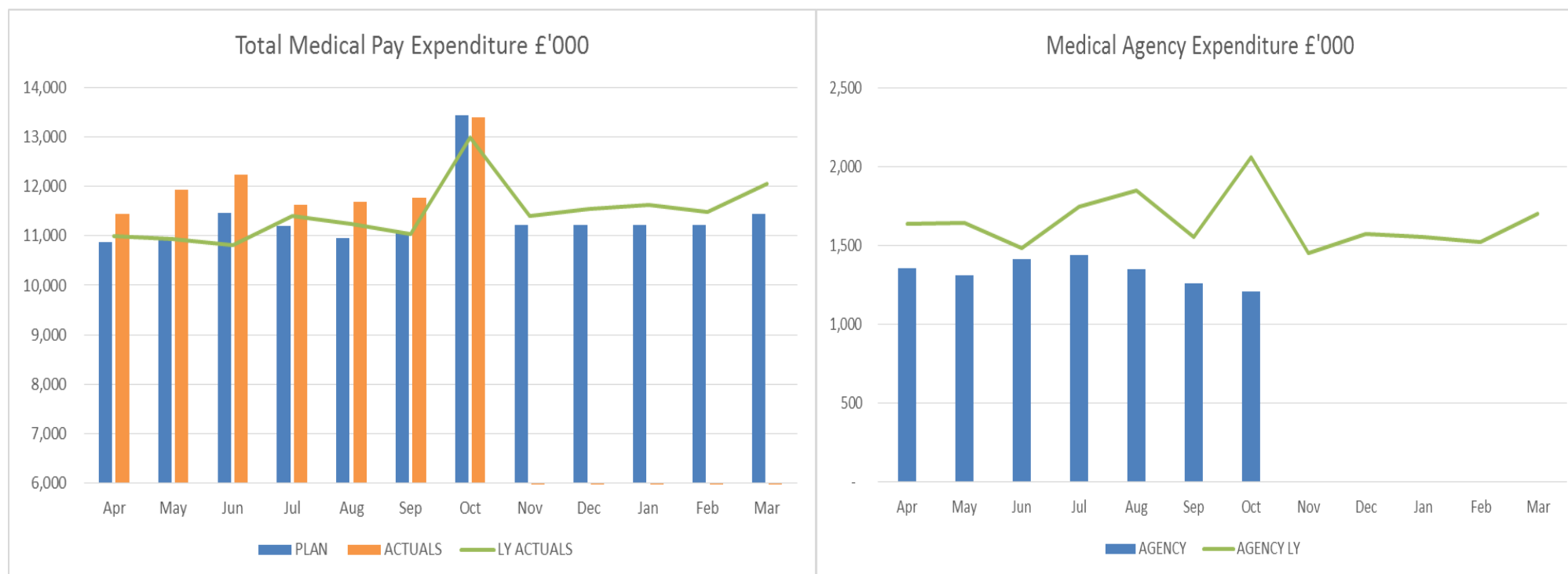


During M7, additional funding was allocated to Delegated budgets to meet the forecast overspends in the Q3/Q4 Plan plus additional funding for winter plans and various other Covid related costs. This has resulted in a £13.3m pay surplus in M7.



## APPENDIX B

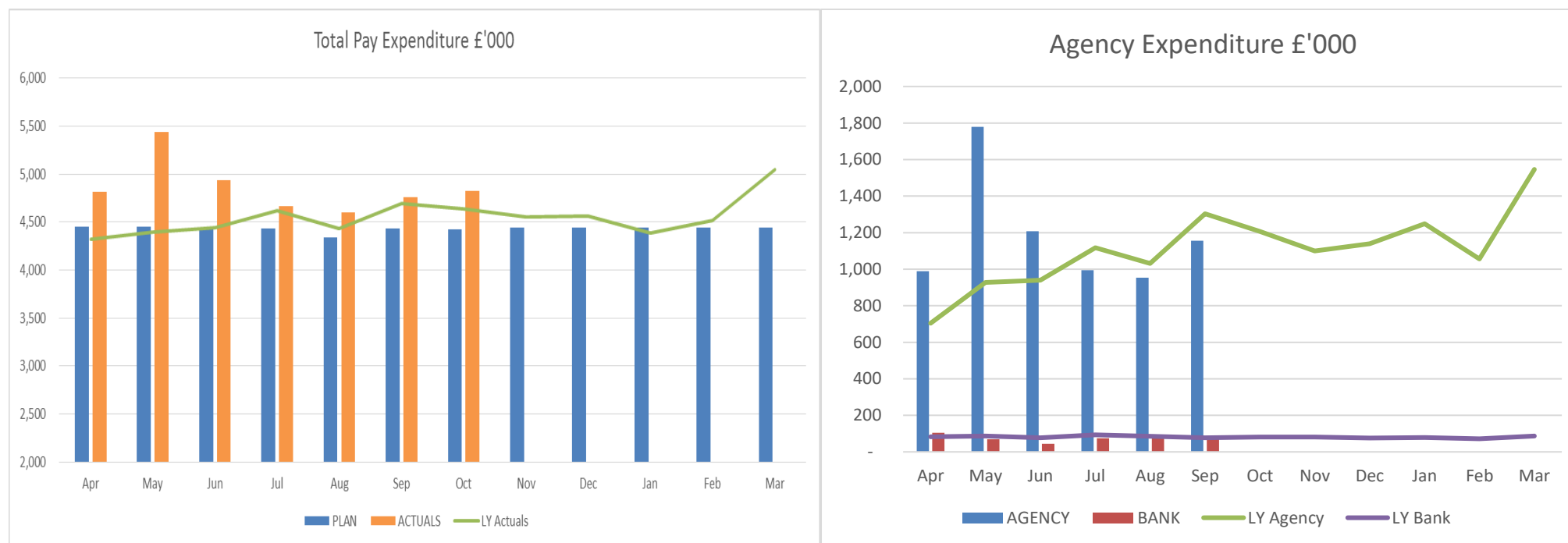
### TREND ANALYSIS – MEDICAL PAY





## APPENDIX C

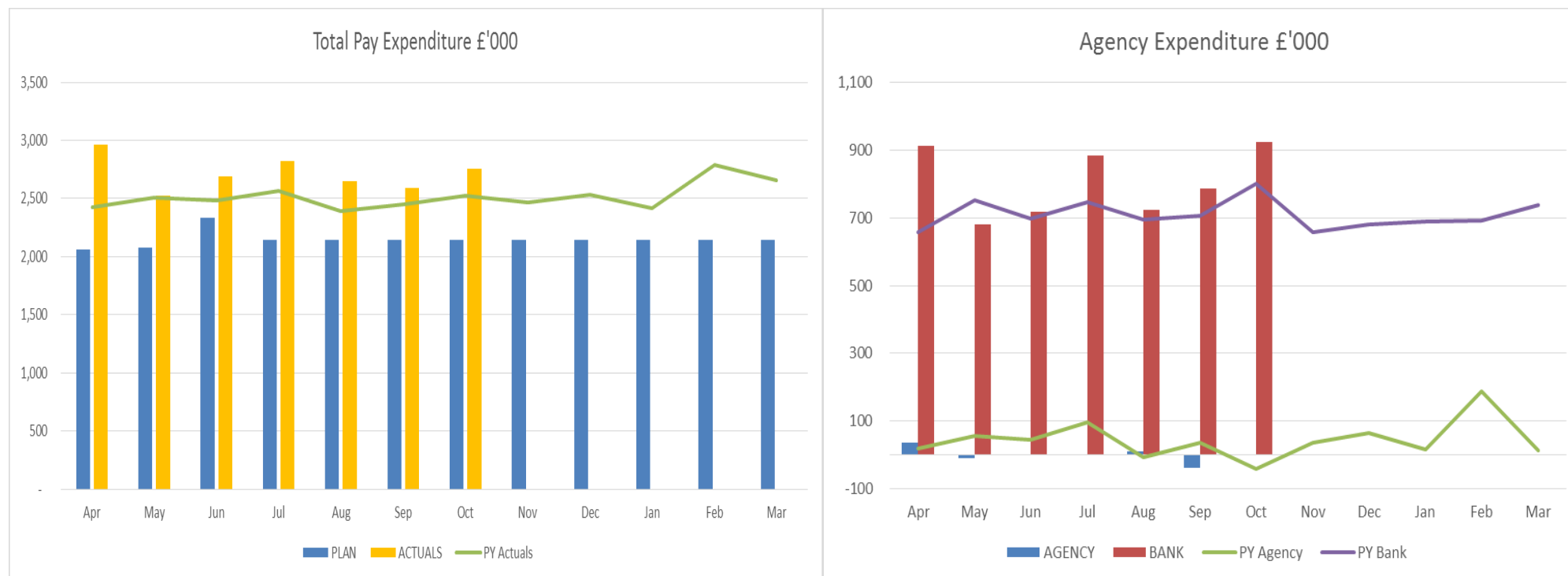
### TREND ANALYSIS – REGISTERED NURSING (WARDS and A&E)





## APPENDIX D

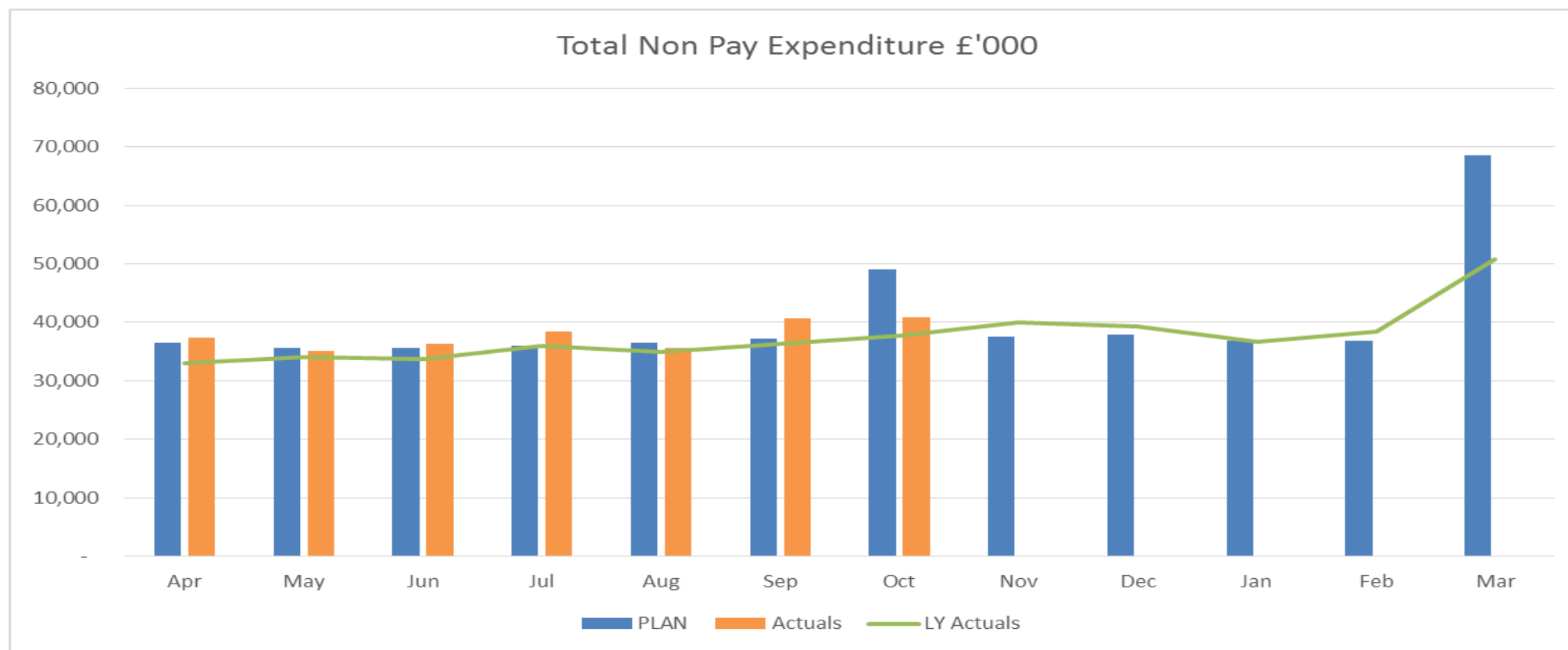
### TREND ANALYSIS – ADDITIONAL CLINICAL SERVICES (WARDS and A&E)





## APPENDIX E

### TREND ANALYSIS – NON PAY



During M7, additional funding was allocated to Delegated budgets to meet the forecast overspends in the Q3/Q4 Plan plus additional funding for winter plans and various other Covid related costs. This has resulted in a £7.7m non pay surplus in M7.



## APPENDIX F

### WELSH GOVERNMENT ALLOCATIONS

	Annual Budget
	£k
Confirmed funding	1,085,840
Unconfirmed funding	120,645
<b>TOTAL</b>	<b>1,206,485</b>

#### Key Issues

The most significant anticipated allocations include:

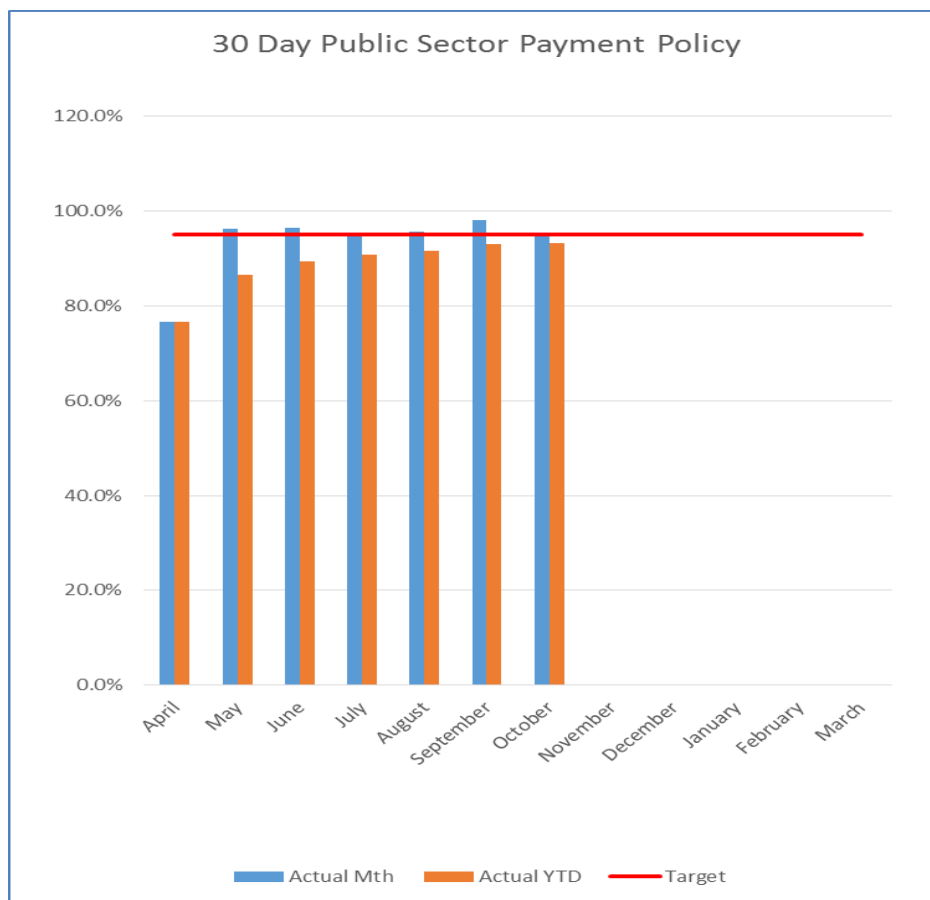
- Transformation Fund - £11.2m
- Substance Misuse - £3.5m
- A Healthier Wales - £1.2m
- I2S - £1.1m
- COVID core allocation - £56.2m
- Ring fenced COVID - £18.9m
- Emergency Care - £1.6m
- Partnerships - £1.5m
- Draft Slippage on Q3/Q4 Plan– (£6.7m)



## APPENDIX G

### Public Sector Prompt Payment (PSPP) Performance

The Health Board's monthly performance against the 95% public sector payment target is detailed in the graph below:



#### Key Issues:

- The percentage for the number of non-NHS invoices paid within the 30 day target for October was 94.9%, with a cumulative percentage of 93.2%.
- For the month of April the percentage was only 76.6%. This was in part due to COVID supplier relief arrangements which allowed 1029 queried invoices to be released which accounted for 5.5%.
- As a consequence of the low percentage performance in April, there is a high risk that the Health Board may not achieve the 95% target for 20/21.



## APPENDIX H

### Balance Sheet

Balance Sheet	Opening Balance (01/04/2020) £'000	Closing Balance as at M7 £'000	Forecast Closing Balance M12 £'000
<b>Non Current Assets</b>			
Property, Plant & Equipment	532,624	536,783	532,624
Intangible Assets	3,631	3,631	3,631
Trade and Other Receivables	50,069	50,069	50,069
<b>Total Non-Current Assets</b>	<b>586,324</b>	<b>590,483</b>	<b>586,324</b>
<b>Current Assets</b>			
Inventories	6,071	6,167	6,071
Trade and Other Receivables	101,242	124,525	103,942
Cash and Cash Equivalents	376	2,315	11,672
<b>Total Current Assets</b>	<b>107,689</b>	<b>133,007</b>	<b>121,685</b>
<b>Current Liabilities</b>			
Trade and Other Payables	133,114	147,793	122,010
Provisions	38,844	53,627	53,844
<b>Total Current Liabilities</b>	<b>171,958</b>	<b>201,420</b>	<b>175,854</b>
<b>Non-Current Liabilities</b>			
Trade and Other Payables	1,307	1,307	1,307
Provisions	56,259	56,259	56,259
<b>Total Non-Current Liabilities</b>	<b>57,566</b>	<b>57,566</b>	<b>57,566</b>
<b>TOTAL ASSETS EMPLOYED</b>	<b>464,489</b>	<b>464,504</b>	<b>474,589</b>
<b>Financed By:</b>			
General Fund	416,325	416,340	426,425
Revaluation Reserve	48,164	48,164	48,164
<b>TOTAL</b>	<b>464,489</b>	<b>464,504</b>	<b>474,589</b>

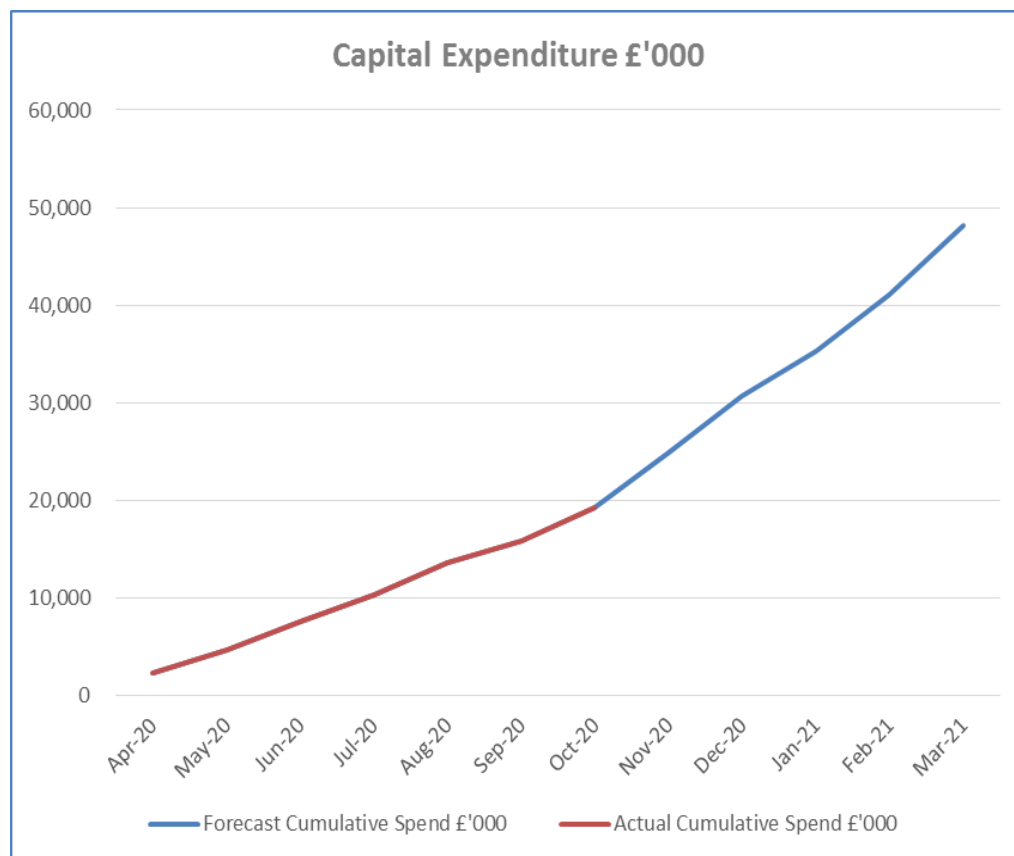
### Key Issues:

- The closing cash balance for M7 was £2.3m.
- Receivables have increased by £23m to M7, of which £18m relates to WRP debtors.
- The increase in payables of £15m represents the increase in M7 Pension/HMRC creditor. This had been part paid in Month 12 2019-20.
- The increase in provisions to Month 7 of £15m relate to Clinical Negligence with the corresponding increase in WRP Debtors.



## APPENDIX I

### Performance against Capital Resource Limit



#### Key Issues:

- The current Capital Resource Limit of £39.8m was issued on the 28th October 2020.
- In addition, the Health Board is reporting that it anticipates a further £8.0m of additional funding relating to the impact of COVID 19.
- This is supplemented by £0.3m of donated funds giving an overall programme of £48.1m.
- Expenditure to date is £19.3m.
- The current forecast capital position is breakeven assuming all anticipated funding is received.

## APPENDIX J

### Cash position

Cashflow	Actual/Forecast							
	Sep £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £'000	Total £'000
<b>Receipts</b>								
WG Revenue Funding	204,785	(12,369)	78,285	112,460	93,970	87,400	134,355	1,165,120
WG Capital Funding	4,350	0	2,500	4,400	4,200	5,200	9,652	47,802
Sale of Assets	23	4	0	0	0	0	0	32
Welsh NHS Org'ns	10,222	9,344	11,300	9,000	10,600	19,000	13,600	130,615
Other	2,084	1,784	1,500	1,500	1,500	1,500	2,300	30,916
<b>Total Receipts</b>	<b>221,464</b>	<b>(1,237)</b>	<b>93,585</b>	<b>127,360</b>	<b>110,270</b>	<b>113,100</b>	<b>159,907</b>	<b>1,374,485</b>
<b>Payments</b>								
Primary Care Services	17,537	24,364	6,808	28,160	7,520	16,840	17,880	201,181
Salaries and Wages	44,506	46,121	48,580	48,650	48,580	48,380	65,013	562,266
Non Pay Expenditure	47,762	33,455	36,000	46,600	50,900	42,800	55,989	550,904
Capital Payments	2,852	4,308	2,500	3,600	4,200	5,200	10,665	48,838
Other (Donated asset funding)	0	0	0	0	0	0	0	0
<b>Total Payments</b>	<b>112,657</b>	<b>108,248</b>	<b>93,888</b>	<b>127,010</b>	<b>111,200</b>	<b>113,220</b>	<b>149,547</b>	<b>1,363,189</b>
Net Cash In/Out	108,807	(109,485)	(303)	350	(930)	(120)	10,360	
Balance B/F	2,993	111,800	2,315	2,012	2,362	1,432	1,312	
Balance C/F	111,800	2,315	2,012	2,362	1,432	1,312	11,672	

### Key Issues

- The M7 cash flow forecast is currently showing a forecast surplus of £11.7m in Month 12.
- The forecast includes the anticipated reimbursement of WRP debtors of £2.3m in November and a further £10m in February. It is planned that the remaining outstanding WRP debtors of £20m will be submitted to the March 2021 committee meeting for approval, with the cash being received in early 2021-22. These figures are currently being reviewed and more information will be available following the WRP Committee meeting in November.