AGENDA ITEM
2.3

CTM BOARD

FINANCE UPDATE – MONTH 2 of 2020/21

Date of meeting	29/06/2020
FOI Status	Open/Public
If closed please indicate reason	Not Applicable - Public Report
Prepared by	Mark Thomas, Deputy Director of Finance
Presented by	Steve Webster, Director of Finance & Procurement
Approving Executive Sponsor	Executive Director of Finance & Procurement
Report purpose	FOR DISCUSSION / REVIEW

Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/group)		
Committee/Group/Individuals	**Date**	**Outcome**
Welsh Government	11/06/2020	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 2 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 2 (M2).

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 2019/20:

a. Bridging funding and TI support

- The Welsh Government has indicated that it is supportive of the Health Board assuming £5m bridging funding from the WG in 2020/21, and that funding is assumed in this financial report. Similarly the WG has indicated that the Health Board should anticipate continued TI funding in 2020/21. Funding of £3.5m was assumed in the IMTP, but pending clarification from WG, the Month 2 position assumes funding at the same level as in 2019/20 (£3.0m).
- During 2019/20, the Transformation Team at WG confirmed their agreement to re-profile £2.9m of our Transformation funding between 2019/20 and 2020/21. Following confirmation from WG that the £2.9m has been included in the WG budget for 20/21, this funding has now been assumed in the Month 2 position.

b. Covid-19 and the New Operating Model

- In addition to the impact of Covid-19, it is important to note that Month 2 is the second month of reporting under the New Operating Model which has involved a very significant reallocation of budgets and budget responsibilities etc. These two changes are likely to present financial reporting challenges for a number of months into 2020/21.

The following sections are included in this report:

Note 1: Please note that this is a shortened version of the usual finance report prepared for the Board. Further information on Savings, Variance analysis and Trend data will be provided in subsequent reports.

2. KEY RISKS/HEADLINE MESSAGES

2.1 Headline Messages - Month 2

The reported position for Month 2 is an over spend of £5.7m with £5.8m being attributed to Covid-19:

	Month 2				Month 2 YTD		
	Total Variance	Covid position	Non Covid position		Total Variance	Covid position	Non Covid position
	£k	£k	£k		£k	£k	£k
Pay	2,775	2,961	(186)		4,307	4,405	(98)
Non Pay	(611)	111	(722)		896	2,650	(1,753)
Income	1,345	1,039	306		2,122	1,705	416
CRES	1,794	1,790	4		3,233	3,233	0
Total Delegated	**5,303**	**5,901**	**(598)**		**10,559**	**11,994**	**(1,435)**
Non Delegated	380	(89)	469		1,238	(178)	1,417
Grand total	**5,683**	**5,812**	**(129)**		**11,797**	**11,815**	**(18)**
Forecast – M2	**73,200**	**73,200**	**0**				
Forecast- M1	**50,667**	**50,667**	**0**				
Forecast recurrent position	**TBC**	**TBC**	**TBC**				

2.1.1. Covid-19 forecasts

It is important that the Health Board properly identifies the additional costs relating to care for Covid patients and providing healthcare for all patients in a Covid environment. A summary of the additional revenue and capital costs forecasted as at Month 2 is provided below, and a more detailed breakdown is included at Section 3.2, including the key changes from the Month 1 forecast of £50.7m:

	Q1	**Q2**	**Q3**	**Q4**	**Total**
Area of cost impact	**£m**	**£m**	**£m**	**£m**	**£m**
Pay	7.9	11.6	10.1	7.2	36.8
Non Pay	8.9	9.5	6.7	6.3	31.3
Impact on savings delivery	5.1	4.8	3.0	2.7	15.6
Operational expenditure reductions	(3.5)	(3.0)	(1.4)	0	(7.9)
Slippage on planned investments/repurposing of development funding	(0.8)	(0.6)	(0.6)	(0.6)	(2.6)
Total revenue cost impact	**17.6**	**22.3**	**17.8**	**15.6**	**73.2**
Major projects					9.1
Additional costs of project delays related to Covid-19(largely PCH Phase 2 which is not yet approved)					3.9
Total capital cost impact					**13.0**

It is important to highlight that the degree of uncertainty surrounding the forecast additional costs for Quarters 2-4 is much higher than Quarter 1, where Month 1 and Month 2 actuals provide a reasonable baseline for estimating Month 3 costs.

The Welsh Government is supportive of the measures all Health Boards have taken to respond to Covid-19, and has indicated that it will provide financial support for this (both capital and revenue). However, the costs across Wales are very significant and at this stage the Welsh Government cannot confirm that all forecast costs will be able to be funded. There is therefore a risk that the organisation's operational revenue costs of addressing the pandemic cannot be contained within available revenue funding,

resulting in an unplanned I&E deficit in 2020/21, and a parallel risk of unfunded additional capital costs resulting in the Capital Resource Limit being exceeded in 2020/21.

There is also a risk that the recurrent financial position going into 2021/22 is greater than the £13.4m planned. This risk may apply even if the 2020/21 costs of Covid are funded non-recurrently by Welsh Government and breakeven in 2020/21 is achieved.

2.1.2. Non Covid position

A summary of the Non Covid variances by area and by expenditure category is provided in Sections 3.1 below.

2.1.3. Non Delegated position

The key reasons for the Month 2 and Month 2 YTD overspends are as follows:

	Month 2				Month 2 Year to date		
	Total Variance	Covid position	Non Covid position		Total Variance	Covid position	Non Covid position
	£k	£k	£k		£k	£k	£k
Shortfall v recurrent CRES targets	111	111	0		222	222	0
Shortfall v non recurrent slippage/Non pay expenditure reduction targets of £4m	500	0	500		667	0	667
Slippage on planned investments /repurposing of development funding	(200)	(200)	0		(400)	(400)	0
Additional provision for optimism bias in the M2YTD Non Covid /Non pay reported surplus of £1.8m	723		723		1,485	0	1,485
Other variances	(754)	0	(754)		(736)	0	(736)
Total	**380**	**(89)**	**469**		**1,238**	**(178)**	**1,416**

2.1.4. Savings

The financial plan for 20/21 includes an annual savings target of £20.6m which represents a monthly target of circa £1.7m. The reported shortfall at M2 is £3.2m which represents Month 2 year to date savings of circa £0.2m.

The forecast position includes estimated savings of circa £5m for the full year, based on a high level assumption of around 40% of planned savings being delivered over October to March, with the forecast shortfall of £15.6m being attributed to Covid. This position remains unchanged from M1.

Further work is needed to consider the timing and initial key steps for returning to efficiency savings plans and more broadly improvement and innovation changes and also moving forward on value based healthcare. From a financial perspective, this is important 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. It is also very important for maximising our more limited service capacity to meet patient needs.

2.1.5. Forecast recurrent position

The planned recurrent deficit at the end of 20/21 was £13.4m. At this stage it is very difficult to estimate the impact of Covid on the recurrent financial position going into 20/21 and further work is needed to fully understand the impact on savings delivery and the underlying cost base. As at Month 2 we are therefore unable to put a robust estimate on the forecast recurrent position.

2.2 Key actions

2.2.1. Proposals for Health Board approval

The main elements of change in the M2 forecast are summarised below:

- Sampling, testing and contact tracing or Test, Trace and Protect (TTP) - £10.8m increase (to £12.9m in total) before taking account of the subsequent £2.2m reduction referred to in section 3.2.
- Use of private hospitals - £4.2m
- Additional field hospital set up costs and rectification costs - £1.6m
- Additional fixed term staffing costs - Students - £4.0m
- Additional fixed term staffing costs - HCSW & Bank) - £5.7m

Each of these 4 areas exceed the limit proposed to be delegated to the Chief Executive under the scheme of delegation agreed at the Resetting Board (i.e. £0.5m), and will therefore need proposals to go to the Health Board for approval if it is proposed that the costs be incurred.

Proposals are included separately on the agenda seeking approvals regarding TTP and use of private hospitals.

In the case of the potential additional field hospital set-up costs, at this stage no proposal is being put forward. In respect of this item, the forecast is therefore reflecting a potential cost as opposed to a firmly proposed cost at this stage.

In the case of the additional £4.0m fixed term costs for students, these costs have previously been agreed and appointments have been made. However, they were not included in the Month 1 forecast of £50.7m as they were assumed to be matched by a specific WG funding stream linked to EU funding. Although these costs are not a new commitment they still require Board approval as they were not included in the £50.7m.

In the case of the additional £5.7m pay costs for HCSW and Bank, whether these costs are incurred or not depends significantly on the level of increased demand for bed capacity over the rest of the financial year, resulting from the combination of a potential second Covid-19 peak, rising unscheduled care admissions, and delayed discharges to nursing homes. The Board is asked to note the forecast that costs will rise for these reasons, but again there is not a firm proposal to commit to further increased costs above the Month 1 forecast at this stage. The position will be assessed in light of modelling of the impact of the drivers above, both on an all-Wales basis and locally in the Health Board.

2.2.2. The appropriateness of increased pay costs already being incurred in Month 1 and Month 2

Pay expenditure within ILGs has increased significantly above prior levels in Month 1 and Month 2 and the Month 2 year to date position is £2.9m above budget (see Section 3.1). This is at the same time as the level of unscheduled care patient demand is low, bed utilisation is low (critical care and general acute) and planned care activity is very low. Some of the key questions we need to be able to answer include:-

- Are we fully assured that all the staffing deployed is fully required?
- If so, what is driving the higher levels of staffing against much lower levels of activity?
- To what extent is high absence driving higher staff levels, and what is that level of absence across different clinical areas?
- What is the level of redeployment of staff and is there scope for more redeployment from where staff are under-utilised to areas where more staff are required, including staff shielding at home who potentially could be undertaking other roles from home?
- Is the variation in spend between ILGs explained by the variation in the number of Covid-19 patients and the level of Covid-19 cases?
- In some areas we still have "winter pressures" capacity open (e.g. ward 21 in POW). Is this justified while activity levels are at their current levels?

These questions on the appropriateness of the level of current pay spending links in with the costs of recruiting students and HCSWs and bank staff, which are forecast to total £9.7m over 6 months. Depending on the answers to the above questions, and depending on the actual level of demand in future months, the costs of these staff could be either additional to the current rate of overspend(as the £73.2m forecast assumes), or result in current bank and agency costs reducing and not thus resulting in a net additional cost.

2.2.3. Continuing Healthcare (CHC)

We are currently paying nursing homes on a historical activity level basis to help their cash flow through the Covid period. Actual activity is below these levels and decisions are needed on whether we are going to pay for some voids (which we have not agreed to do), or start recovering monies overpaid and only paying for actual placements going forward. The Welsh Government is considering the provision of further support for nursing homes beyond the £75 per week increase in weekly FNC and CHC rates to cover increased costs. Any further financial support could potentially include some funding for voids, but nothing has been agreed at this stage.

2.2.4. Other choices

There are other less material areas which also need to be considered and further work is needed to develop a comprehensive list of the 'choices' where decisions need to be made.

2.2.5. Savings delivery

A full review of the savings plans submitted with the IMTP at the end of March is needed by July for inclusion in the Month 3 Monitoring Returns to Welsh Government.

This is important 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. It is also very important for maximising our more limited service capacity to meet patient needs.

2.2.6. Slippage and re-purposing of development funding

Work is ongoing to determine the extent of any slippage and re-purposing of development funding streams to help minimise the financial impact of Covid-19 in 2020/21.

2.2.7. Updating the Month 2 forecast and financial planning linked to service and workforce planning

The figures shown in the Covid cost projection in Section 3.2 above are based on top down estimates of ongoing reactive costs taking account broadly of projected Covid and non-Covid demand, plus the impact of the specific planned changes such as TTP. Bottom up forecasting has started in each ILG and for centrally managed services, but this will need to be refined based on agreed shared assumptions on the key drivers of expenditure, including the following:

- Sampling and testing demand and capacity put in place
- Projected covid-19 and non-Covid demand, with associated workforce and financial implications
- Plans for re-introducing planned care activity, and the associated activity levels, capacity provided, workforce and costs
- Decisions on retaining/stopping/phasing out special arrangements during Covid which are not directly linked to Covid-19 demand
- Plans for re-starting work on efficiency, productivity and pathway re-design schemes
- Absence rates to sickness and self-isolation or shielding.

Due to the inherent level of uncertainty, the Welsh Government is moving towards a quarterly operating plan approach. Quarter 2 plans will shortly be required. One of the challenges for the Health Board in this is its ability to quantify the requirements and impacts of these quarterly plans on activity and capacity requirements and thus the workforce requirements and financial impacts. The aim from a financial perspective should be to draw up proposed quarterly budgets driven by the operating plans, and then subject to Welsh Government approval and funding, to reflect these in ILG and other budgets.

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

3.1 Revenue Performance by Area and by Expenditure category- Month 2

The following points are highlighted from the two tables below which show the Month 2 position (Covid and Non Covid) and the Month 2 YTD position (Covid and Non Covid):

- The Month 2 In month overspend was £5.7m (Month 1: £6.1m).
- The Month 2 YTD overspend is £11.8m and this is wholly attributable to Covid -19.
- The Delegated overspend of £10.6m incudes a Covid overspend of £12.0m and a Non Covid underspend of £1.4m.
- The Non Delegated position includes a 'contingency ' of £1.4m against the reported non pay underspend of £1.7m , pending further work in M3 to determine if this underspend is robust.
- The M2 YTD Covid costs of £11.8m are discussed further in Section 3.2.
- Corporate directorates – The pay overspend of £1,028k includes £815k for Students which are being recorded in W&OD directorate. The non pay overspend of £620k includes additional Covid related field hospital set-up costs within the Estates directorate of £611k.
- Bridgend ILG- the income overspend of £520k includes £456k in relation to the Bridgend clinic private patient income resulting from it being used for Covid patients instead of private patients as normal.

M2	Current Period - Ledger					COVID Reported Costs M2					NON COVID M2				
	PAY	NON PAY	INCOME	CRES	TOTAL	PAY	NON PAY	INCOME	CRES	TOTAL	PAY	NON PAY	INCOME	CRES	TOTAL
	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k
Integrated Locality Groups															
Bridgend ILG	799	(988)	405	418	634	387	(393)	358	418	770	412	(595)	47	0	(136)
Merthyr & Cynon ILG	407	(501)	60	325	291	634	(311)	45	325	693	(227)	(190)	15	0	(402)
Rhondda & Taff ILG	406	(549)	171	369	397	655	(465)	3	365	558	(249)	(84)	168	4	(161)
Total Integrated Locality Groups	**1,611**	**(2,037)**	**636**	**1,112**	**1,322**	**1,676**	**(1,169)**	**406**	**1,108**	**2,021**	**(65)**	**(868)**	**230**	**4**	**(699)**
Delivery Executive															
Facilities	17	397	14	51	479	3	423	0	51	477	14	(26)	14	0	2
Mental Health	7	18	(1)	0	24				0	0	7	18	(1)	0	24
Medicines Management	24	271	62	439	797	51	3	0	439	493	(27)	268	62	0	303
Primary Care	57	(375)	516	0	198	63	(331)	508	0	240	(6)	(44)	8	0	(42)
COVID Planned Projects	184	788	0	0	972	205	661	15	0	881	(21)	127	(15)	0	91
Other	15	(5)	(7)	4	6	0	0	0	4	4	15	(5)	(7)	0	3
Total Delivery Executive	**304**	**1,094**	**585**	**495**	**2,478**	**322**	**756**	**523**	**495**	**2,096**	**(18)**	**338**	**62**	**0**	**382**
Total Corporate Executives	**859**	**448**	**85**	**113**	**1,505**	**963**	**593**	**110**	**113**	**1,779**	**(104)**	**(145)**	**(25)**	**0**	**(274)**
Contracting & Commissioning	**0**	**(115)**	**39**	**75**	**(1)**		**(69)**		**75**	**6**	**0**	**(46)**	**39**	**0**	**(7)**
DELEGATED	**2,775**	**(611)**	**1,345**	**1,795**	**5,304**	**2,961**	**111**	**1,039**	**1,791**	**5,902**	**(186)**	**(722)**	**306**	**4**	**(598)**
Non Delegated															
Capital Charges	0	(0)	0	0	(0)				0	0	0	(0)	0	0	(0)
Control & Reserves	(203)	477	(5)	111	379		(200)		111	(89)	(203)	677	(5)	0	469
Total Non Delegated	**(203)**	**477**	**(5)**	**111**	**379**	**0**	**(200)**	**0**	**111**	**(89)**	**(203)**	**677**	**(5)**	**0**	**469**
Grand Total	**2,571**	**(134)**	**1,340**	**1,906**	**5,683**	**2,961**	**(89)**	**1,039**	**1,901**	**5,813**	**(390)**	**(45)**	**301**	**4**	**(130)**

M2 YTD	Cummulative Period to Date - Ledger					COVID Reported Costs YTD					NON COVID YTD				
	PAY	NON PAY	INCOME	CRES	TOTAL	PAY	NON PAY	INCOME	CRES	TOTAL	PAY	NON PAY	INCOME	CRES	TOTAL
	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k	£'k
Integrated Locality Groups															
Bridgend ILG	896	(1,077)	618	876	1,313	1,001	(754)	570	876	1,693	(105)	(323)	48	0	(380)
Merthyr & Cynon ILG	990	(757)	84	634	950	982	(298)	45	634	1,363	8	(459)	39	0	(412)
Rhondda & Taff ILG	992	(1,194)	200	749	748	995	(649)	3	749	1,098	(3)	(545)	197	0	(351)
Total Integrated Locality Groups	**2,878**	**(3,028)**	**902**	**2,259**	**3,012**	**2,978**	**(1,701)**	**618**	**2,259**	**4,154**	**(100)**	**(1,327)**	**284**	**0**	**(1,142)**
Delivery Executive															
Facilities	22	784	32	102	940	8	794	0	102	904	14	(10)	32	0	35
Mental Health	15	21	(3)	0	33	0	0	0	0	0	15	21	(3)	0	33
Medicines Management	71	(3)	78	439	586	51	3	0	439	493	20	(6)	78	0	92
Primary Care	83	(459)	980	51	655	81	(344)	962	51	750	2	(115)	18	0	(95)
COVID Planned Projects	239	3,408	0	0	3,646	260	3,420	15	0	3,694	(21)	(12)	(15)	0	(48)
Other	9	(5)	(19)	6	(10)	0	0	0	6	6	9	(5)	(19)	0	(15)
Total Delivery Executive	**439**	**3,745**	**1,069**	**598**	**5,850**	**400**	**3,873**	**977**	**598**	**5,848**	**39**	**(128)**	**92**	**0**	**3**
Total Corporate Executives	**990**	**367**	**94**	**226**	**1,677**	**1,028**	**620**	**110**	**226**	**1,984**	**(38)**	**(253)**	**(16)**	**0**	**(307)**
Contracting & Commissioning	**0**	**(188)**	**58**	**150**	**20**	**0**	**(142)**	**0**	**150**	**8**	**0**	**(46)**	**58**	**0**	**12**
DELEGATED	**4,307**	**896**	**2,122**	**3,233**	**10,559**	**4,406**	**2,650**	**1,705**	**3,233**	**11,994**	**(99)**	**(1,753)**	**417**	**0**	**(1,435)**
Non Delegated															
Capital Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Control & Reserves	(0)	1,017	0	222	1,238	0	(400)	0	222	(178)	(0)	1,417	0	0	1,417
Total Non Delegated	**(0)**	**1,017**	**0**	**222**	**1,238**	**0**	**(400)**	**0**	**222**	**(178)**	**(0)**	**1,417**	**0**	**0**	**1,417**
Grand Total	**4,307**	**1,913**	**2,122**	**3,455**	**11,797**	**4,406**	**2,250**	**1,705**	**3,455**	**11,815**	**(99)**	**(337)**	**417**	**0**	**(18)**

3.2 Forecast Covid position

The Month 2 forecast position is summarised below, together with the key changes from the Month 1 forecast:

	£m
IMTP / Annual Operating Plan	0
Additional in year identified savings shortfall	15.6
Covid cost increases	68.0
Cost reductions due to Covid-19	(7.8)
Slippage on planned investments/repurposing of development initiatives due to Covid-19	(2.6)
Forecast Outturn	**73.2**

	£m
Month 1 Forecast	**50.7**
Additional antigen sampling and testing costs above the M1 estimate of £2m	8.4
Antibody sampling and testing	1.6
Track and Trace UHB costs	0.8
Additional field hospital set up costs and rectification costs	1.6
Students – 335 wte fixed term contracts	4.0
HCSW – 290 wte fixed term contracts	4.5
Bank staff – 100wte fixed term contracts	1.2
Additional planned care cost reductions above the M1 estimate of £4.0m	(3.8)
Private hospitals	4.3
Month 2 Forecast	**73.2**

A detailed breakdown of the forecast additional costs of £73.2m is shown below:

	Apr £'000	May £'000	Jun £'000	Q1 Total £'000	Q2 Total £'000	Q3 Total £'000	Q4 Total £'000	Total YTD £'000	Forecast year-end position £'000
Vale Field Hospital	1,536	183	100	1,819	540	0	0	**1,719**	**2,359**
Bridgend Field Hospital	951	984	463	2,398	618	282	832	**1,935**	**4,130**
Marsh House Nursing Home	47	140	185	372	535	525	525	**187**	**1,957**
Abergarw Nursing Home	55	138	171	364	503	483	483	**193**	**1,833**
Internal Capacity	71	79	75	225	225	225	225	**150**	**902**
Elective Reduction	(648)	(1,729)	(1,100)	(3,476)	(3,000)	(1,400)	0	**(2,376)**	**(7,876)**
Private Patient Income	160	244	221	625	663	663	663	**404**	**2,614**
PPE	24	18	22	65	67	67	67	**42**	**264**
Med Staff	380	347	378	1,106	1,035	1,017	1,017	**728**	**4,175**
Free Food	225	230	0	455	0	0	0	**455**	**455**
Staff Accommodation	10	15	13	38	39	0	0	**25**	**77**
Staff Transport	0	4	4	8	12	0	0	**4**	**20**
Patient transport	0	0	0	0	0	0	0	**0**	**0**
Staff Welfare	3	3	3	9	9	9	9	**6**	**36**
Consultant Connect	0	0	70	70	75	75	75	**0**	**295**
Respiratory Pathway	0	70	33	103	59	13	0	**70**	**175**
IT	40	60	310	410	191	153	153	**100**	**907**
Project Management	0	41	20	61	20	0	0	**41**	**81**
Antigen testing	0	61	268	329	1,969	2,169	2,169	**61**	**6,636**
Antibody testing	0	0	175	175	525	525	525	**0**	**1,750**
Hospital Based Testing	0	77	80	157	1,071	1,233	1,233	**77**	**3,694**
Contact Tracing	0	0	81	81	243	243	243	**0**	**810**
Excess Deaths	15	15	15	45	45	0	0	**30**	**90**
Students	0	815	1,197	2,012	1,718	317	0	**815**	**4,047**
HCSW	0	0	0	0	2,250	2,250	0	**0**	**4,500**
Private Hospitals	0	0	0	0	3,257	1,000	0	**0**	**4,257**
Other	1,785	2,309	1,630	5,724	5,443	5,512	5,212	**4,094**	**21,892**
SUBTOTAL	**4,654**	**4,106**	**4,415**	**13,175**	**18,113**	**15,361**	**13,431**	**8,760**	**60,080**
Undelivered Savings	1,554	1,901	1,600	5,055	4,800	3,000	2,700	**3,455**	**15,555**
Slippage/Repurposing	(200)	(200)	(200)	(600)	(600)	(600)	(600)	**(400)**	**(2,400)**
TOTAL	**6,008**	**5,807**	**5,815**	**17,630**	**22,313**	**17,761**	**15,531**	**11,815**	**73,235**

Further information on the key areas of forecast additional costs are summarised below:

Field hospitals and nursing homes (£10.3m) - The forecast costs of £10.3m includes circa £5.3m of set up & rectification costs and £5.0m of running costs.

It is planned to consolidate on the Bridgend field hospital by the end of Q1, with fixed operating costs (but no staffing costs or consumables) being incurred during the quarter. Currently an area which can accommodate 250 beds has been fitted out in the Bridgend facility but the forecast provides for this facility being fully fitted out which would then have a capacity of up to 480 beds. A decision has not been made on this increase but there is a possibility of reaching a conclusion that taking account of increasing delayed discharges to nursing homes, winter, and risks around a second Covid-19 peak, this further fit out should be undertaken ahead of the autumn.

Antigen sampling and testing (£10.4m), Antibody testing (£1.7m), Contact tracing, and surveillance (£0.8m)

The additional costs are predominantly driven by higher forecast demand than current demand. Community testing demand is currently around 340/day but a second peak in the autumn could be between 850 and 1200 per day. Hospital testing is currently < 100 per day but we are forecasting c 450/day, and contract tracing is currently in the order of 12/day (based on 340 tests/day and positivity of c 4%), but we are forecasting that it could be at least 230/day (based on testing of 850/day and positivity of 27%) if we had a second peak.

So the level of resource required is in a range which is dependent on the level of demand, but there is a decision on the level of demand to assume in committing staff resource. There are also decisions around the mode of sampling. The Welsh Government decision is now to move to the English Lighthouse delivery model in the Abercynon CTU. Depending on the level of demand this may be sufficient to meet 100% of CTM community testing in the Abercynon CTU. There are still plans to operate the RGH, Keir Hardie and Bridgend Field Hospital CTUs for access reasons.

These factors in particular will influence the level of cost. This was forecast at circa £12.9m for the UHB based on the component elements above at time of drawing up the overall Health Board forecast and this figure is reflected in this finance report. However, following the change of approach to the Abercynon CTU, this forecast will reduce. There is a separate paper on the agenda on TTP which reflects this change and puts forward projected Health Board costs of £10.7m, reducing the forecast by £2.2m.

Use of the Vale and Cardiff Bay Nuffield Facilities (£4.2m) - We are currently forecasting £4.2m based on a high level forecast based on a gradual phasing out of the use of the Vale and Cardiff Bay facilities through the autumn. This assumption will depend on the extent and timing of our ability to meet essential service demand through our own hospitals and the associated cost of that, which is not sufficiently clear at this stage.

Other reactive costs (£21.9m) – A summary of the other reactive costs is provided below:

	BRIDGEND		MERTHYR & CYNON		RHONDDA TAF		OTHER		TOTAL	
	YTD £'K	FORECAST £'K	YTD £'K	FORECAST £'K	YTD £'K	FORECAST £'K	YTD £'K	FORECAST £'K	YTD £'K	FORECAST £'K
Pay - Medical	0	0	0	0	0	0	2	2	2	2
Pay - Registered Nursing	317	1,887	495	3,335	710	3,044	16	16	1,538	8,282
Pay - Add Clinical Services	60	310	159	902	157	704	0	600	376	2,516
Pay - Admin & Clerical	32	192	1	4	21	71	57	307	111	574
Pay - Other	25	35	65	807	36	216	108	648	234	1,706
Primary Care Contractors	0	0	0	0	0	0	516	2,116	516	2,116
Non Pay & Income	177	1,107	175	732	169	781	1,103	4,813	1,624	7,434
Non Pay Reductions	(54)	(254)	0	0	(111)	(271)	0	0	(165)	(525)
WHSSC Slippage	0	0	0	0	0	0	(142)	(213)	(142)	(213)
TOTAL	**557**	**3,277**	**894**	**5,781**	**983**	**4,545**	**1,660**	**8,289**	**4,094**	**21,892**

The key points to highlight are as follows:

- There is significant variability in the pay costs across ILGs YTD and forecast (See Key actions 2.2.2).
- Other pay – The forecast expenditure of £648k within Other relates to Professional & Scientific Agency of £288k and £300k for Ancillary & Estates agency.
- Primary Care Contractors- The YTD overspend includes a dental overspend of £282k (loss of income £962k less reduced costs £680k) plus Other costs of £234k. The forecast position includes a Dental overspend of £1,582k (Loss of income £5,762k less reduced costs £4,180k) plus Other costs of £534k.

- Non Pay & Income – The forecast overspend of £7.4m includes PPE (£2.0m), Laundry Service costs (£1.7m) and Loss of Income (£1.8m).

Medical staff (£4.2m)

	YTD £'K	FORECAST £'K
Bridgend ILG	545	2,995
Merthyr & Cynon ILG	113	714
Rhondda & Taf ILG	70	466
Other	0	0
TOTAL	**728**	**4,175**

As above, there is significant variability in the Medical Pay costs across ILGs YTD and forecast (See Key actions 2.2.2).

Students (£4.0m) and HCSWs (£4.5m)

	YTD £'K	FORECAST £'K
Students	815	4,047
HCSW	0	4,500
Other	0	0
TOTAL	**815**	**8,547**

The above costs are forecast for a range of 3 month and 6 month fixed term contracts. The students have started in M2 and these costs are being shown in the W&OD directorate. The additional HCSW costs are forecast for Q2 and Q3.

Depending on the actual level of demand in future months, the costs of these staff could be either additional to the current rate of overspend (as the £73.2m forecast assumes) or enable current bank and agency costs to be reduced and not thus resulting in a net additional cost (See Key actions 2.2.2).

Operational expenditure decreases (£7.8m)

Reductions in clinical consumables and drugs costs have resulted from the cessation of routine elective activity. These are assumed to continue in June with only very limited re-starting in Q2. The staff undertaking the activity have been re-deployed to support Covid-19 work. The forecast expenditure reductions by ILG are summarised below:

	BRIDGEND	
	YTD	FORECAST
	£'K	£'K
Bridgend ILG	(813)	(2,813)
Merthyr & Cynon ILG	(607)	(2,107)
Rhondda & Taf ILG	(956)	(2,956)
Other	0	0
TOTAL	**(2,376)**	**(7,876)**

Slippage on planned investments/repurposing of development funding (£2.4m)

An assessment of what existing development funding can be slipped or re-purposed to help meet costs resulting from Covid-19. A provisional assessment of £2.6m has been included in the above forecast which includes the following:

	£m
Transformation allocation for Covid -19	1.3
Provisional assessment from other development funding streams	1.1
WHHSC Investment Slippage	0.2
Total	2.6

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 £2.6m noted there will also be a corresponding increase in Covid costs so the impact will be cost neutral.

Similar work is also being undertaken in relation to the new Cluster funding, which may also result in an increase in the £2.6m and a corresponding increase in Covid related costs.

Primary care prescribing (TBC) - The estimated impact on primary care prescribing in M12 of 2019/20 due to the impact of Covid-19 was circa £1.3m and it is unclear at this stage if this increase will continue into 2020/21. This risk will be assessed when we have the new prescribing data for M1 and M2.

SAS and Junior doctors (TBC) - We are aware that guidance has just been issued which will increase these costs. The additional costs have not been factored into the above forecast and will be quantified for M3.

Impact on delivery of efficiency savings (£15.6m)

An assessment of the position on efficiency savings schemes, and the timing of being able to re-start work on these, is being undertaken with managers and this assessment will be completed in M3. Based on responses to date, it is assumed that no material efficiency savings will be able to be delivered in Q1 and Q2 and an initial assessment of £5m has been made for Q3 and Q4.

3.3 Key Risks and Opportunities

The key risks highlighted are summarised below:

- The biggest risk to the in-year forecast position is the uncertainty surrounding the estimated financial impact of Covid -19 on the Health Board's financial position (particularly in Q2-Q4 where the uncertainty is greatest), and whether funding from the Welsh Government will fully this financial impact

- There is a parallel risk that the recurrent deficit in 2020/21 will exceed the £13.4m included in the financial plan. This risk applies whether or not Covid costs are funded in 2020/21 by the Welsh Government if that funding is non-recurrent.

- Subsidiary risks are as follows

    - The estimated impact on primary care prescribing in M12 of 2019/20 due to the impact of Covid-19 was circa £1.3m and it is unclear at this stage if this increase will continue into 2020/21. This risk will be assessed when we have the new prescribing data for Month 1 and Month 2.

    - The Health Board received circa £0.5m of development plan funding in the 2019/20 Allocation Letter. This has been removed in 2020/21 and there is a potential risk that this funding may not be secured from the Implementation groups in 2020/21.

4. IMPACT ASSESSMENT

Quality/Safety/Patient Experience implications	There are no specific quality and safety implications related to the activity outined in this report.
Related Health and Care standard(s)	Governance, Leadership and Accountability
Equality impact assessment completed	Not required
Legal implications / impact	There are no specific legal implications related to the activity outlined in this report.
Resource (Capital/Revenue £/Workforce) implications / Impact	Yes (Include further detail below)
	The paper is directly relevant to the allocation and utilisation of resources.
Link to Main Strategic Objective	To provide strong governance and assurance
Link to Main WBFG Act Objective	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 2 Finance report for 2020/21.
- **APPROVE** the £4.0m additional costs for students which were not included in the M1 forecast of £50.7m (Section 2.2.1).

APPENDIX I

ANTICIPATED FUNDING

	Annual Budget
	£k
Confirmed funding	1,039,783
Unconfirmed funding	37,492
TOTAL	**1,077,275**

Key Issues

The most significant anticipated allocations include:

- Transformation Fund - £15.0m
- Bridging funds - £5.0m
- Substance Misuse - £3.5m
- Targeted Intervention - £3.0m
- Treatment Fund - £2.6m
- Anticipated DDRB Pay award - £1.8m
- Dental VT Funding - £1.7m
- Critical Care - £1.4m
- I2S Overseas Nursing - £1.0m