

# **CWM TAF MORGANNWG UNIVERSITY HEALTH BOARD MONITORING RETURNS – April 2020 FINANCIAL COMMENTARY**

## **Introduction**

These returns outline the financial position for Cwm Taf Morgannwg (CTM) UHB for the period ended 30 April 2020.

The tables attached to this commentary **do not** include the income, expenditure and balances of the Welsh Health Specialised Services Committee (WHSSC) or the Emergency Ambulance Services Committee (EASC) which is being financially managed via WHSSC. They do however include the Cwm Taf element of transactions between the parties.

The financial position reported within this monitoring return is consistent with the information being provided to the Board. The M1 Financial Monitoring Return (consisting of the Narrative, Table A, TableA2 and Table B3) will be reported to the next meeting of the Planning, Performance and Finance Committee.

## **1. Financial Plan, Year to Date and Forecast position**

### **Financial Plan for 2020/21**

The CTM IMTP for 2020/21 – 2022/23 was approved by the Board on 26 March 2020. Key points to note include:

- 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 Monitoring Return. 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, this Monitoring Return 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. Please can you confirm if this funding will be re-provided to CTM in 2020/21.

### **Month 1 - Actual Position**

As at M1, the Health Board is reporting a deficit of £6.2m, which includes £6.03m of additional costs attributed to Covid-19.

## Month 1 - Forecast position (Table A)

We are currently forecasting a deficit of £50.7m for 2020/21. The key movements from Plan to forecast out-turn are summarised below:

|                                                                                                           | £m            |
|-----------------------------------------------------------------------------------------------------------|---------------|
|                                                                                                           |               |
| <b>IMTP / Annual Operating Plan</b>                                                                       | 0             |
| Additional In Year Identified Savings - Forecast (Positive Value)                                         | (15.6)        |
| Additional In Year Welsh Government Funding Due To Covid-19 (Positive Value)                              | Tbc           |
| Operational Expenditure Cost Increase Due To Covid-19 (Negative Value)                                    | (43.6)        |
| Planned Operational Expenditure Cost Reduction Due To Covid-19 (Positive Value)                           | 5.9           |
| Slippage on Planned Investments/Repurposing of Developmental Initiatives Due To Covid-19 (Positive Value) | 2.6           |
|                                                                                                           |               |
| <b>Forecast Outturn (- Deficit / + Surplus)</b>                                                           | <b>(50.7)</b> |

The key risks to this forecast position are noted in Section 2 below.

Further information on the forecast additional costs due to Covid-19 is provided in Section 3 below.

## 2. Risk Management (Table A2)

The key financial risks and opportunities for 20/21 are noted in Table A2 and are summarised below:

- The biggest risk to the forecast position is the uncertainty surrounding the estimated impact of Covid -19 on the Health Board's financial position, and particularly in Q2-Q4 where the uncertainty is greatest (see Section 3 below).
- Significant increased costs are anticipated for primary care prescribing in M12 of 2019/20 due to the impact of Covid-19. It is unclear at this stage if this increase will continue into 2020/21.
- 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.

## 3. Additional costs due to Covid -19 (Table B3)

A summary of the additional Revenue and Capital costs is provided below:

|                                                                        | <b>Q1</b>   | <b>Q2</b>   | <b>Q3</b>   | <b>Q4</b>   | <b>Total</b> |
|------------------------------------------------------------------------|-------------|-------------|-------------|-------------|--------------|
| <b>Area of cost impact</b>                                             | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   | <b>£m</b>    |
| Operational expenditure increases(including revenue set-up costs)      | 13.9        | 10.5        | 9.6         | 9.6         | 43.6         |
| Impact on savings delivery                                             | 4.8         | 4.8         | 3.0         | 3.0         | 15.6         |
| Operational expenditure decreases due to reduced planned care activity | (2.2)       | (1.2)       | (1.2)       | (1.2)       | (5.8)        |
| Slippage on planned investments/repurposing of development funding     | (0.8)       | (0.6)       | (0.6)       | (0.6)       | (2.6)        |
| <b>Total Revenue</b>                                                   | <b>15.7</b> | <b>13.5</b> | <b>10.7</b> | <b>10.8</b> | <b>50.7</b>  |
| <b>Total Capital (including project delays)</b>                        |             |             |             |             | <b>12.9</b>  |
| <b>Grand Total</b>                                                     |             |             |             |             | <b>63.7</b>  |

It is important to highlight that the degree of uncertainty surrounding the forecast additional costs for Q2-Q4 is much higher than Q1, where M1 provides a reasonable baseline for estimating M2 and M3.

The key areas where revenue expenditure and income in Q1 are projected to diverge from the originally approved financial plan are outlined below, with an outline of the key drivers and projected impacts in each area.

### **Operational expenditure increases**

- Field hospitals and nursing homes. An outline of set-up costs is included in the capital expenditure section below. 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.

- Acute hospital ward staffing costs are higher than plan in April, largely due to expansion of critical care capacity and increased staff absence, including self-isolation. It is expected that these staffing costs will increase in May and June, as a consequence largely of additional bed requirements. These are projected to result from the associated increase in admissions and USC bed use resulting from increased ED attendances (49% of pre-covid levels to mid May moving to 73% from mid May), but also due to increased step up/step down capacity required from increased patient numbers awaiting discharge while discharge testing and nursing home confidence more generally, is increased. Beds occupied by Covid-19 patients are expected to be similar to their current levels (c 150 included vented patients), but there is a risk of a rise during June.
- Costs of booking for and swabbing in staff testing units and the health board contribution to mass testing, together with increases in testing (both PCT platforms and POCT), will increase in May and June.
- Non-activity related costs are being incurred in the many areas, and these will be expected to continue over May and June. These areas include respiratory pathway costs, Consultant connect, free meals for staff (ending in June) and transport and accommodation of staff, ICT costs of home working, and cost of mortuary contracts.

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

- 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. Based on responses to date, it is assumed that no material efficiency savings will be able to be delivered in Q1 and Q2.

### **Operational expenditure decreases**

- Reductions in clinical consumables and drugs costs have resulted from the cessation of routine elective activity. These are assumed to continue in May and June, with only very limited re-starting before the end of Quarter 1. The staff undertaking the activity has been re-deployed to support Covid-19 work.

## 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. A provisional assessment of this has been included in the Q1 forecast.

## Capital expenditure

- Capital and revenue set-up costs of £12.4m have been committed in order to deliver the Covid-19 response, of which £9.1m are capital costs and £3.3m are revenue set-up costs. These costs are not currently projected to increase over the rest of Q1, but could increase if the necessary separation of Covid and non-Covid patients as elective work is restarted requires further works expenditure, or changes to the role of field hospitals(e.g. regional work) requires further investment.
- Additional costs of project delays related to Covid-19 are also estimated at £3.9m. These costs largely relate to a delay in the start of the PCH Phase 1.
- These costs are summarised in the Table below:-

|                                             | Gold Approved 13.04 |                   |               | Gold Approved 27.04 |                   |               | Latest Position |                   |               |
|---------------------------------------------|---------------------|-------------------|---------------|---------------------|-------------------|---------------|-----------------|-------------------|---------------|
|                                             | Works<br>£000       | Equipment<br>£000 | Total<br>£000 | Works<br>£000       | Equipment<br>£000 | Total<br>£000 | Works<br>£000   | Equipment<br>£000 | Total<br>£000 |
| Acute & Community Hospital Capacity         | 504                 | 4,066             | 4,570         | 718                 | 4,066             | 4,784         | 821             | 3,821             | 4,642         |
| Oxygen Capacity                             | 277                 |                   | 277           | 311                 |                   | 311           | 397             |                   | 397           |
| Nursing Home                                | 50                  | 727               | 777           | 50                  | 727               | 777           | 100             | 727               | 827           |
| Field Hospitals                             | 3,250               | 2,104             | 5,354         | 3,250               | 2,104             | 5,354         | 3,250           | 2,104             | 5,354         |
| Mental Health                               | 270                 |                   | 270           | 274                 |                   | 274           | 329             |                   | 329           |
| ICT Costs                                   |                     | 815               | 815           |                     | 815               | 815           |                 | 815               | 815           |
| <b>Sub Total Direct Covid Costs</b>         | 4,351               | 7,712             | 12,063        | 4,602               | 7,712             | 12,314        | 4,897           | 7,467             | 12,364        |
| Project Delays                              | 1,750               |                   | 1,750         | 3,950               |                   | 3,950         | 3,950           |                   | 3,950         |
| <b>Total Costs including Project Delays</b> | 6,101               | 7,712             | 13,813        | 8,552               | 7,712             | 16,264        | 8,847           | 7,467             | 16,314        |
| Revenue                                     | 3,300               |                   | 3,300         | 3,300               |                   | 3,300         | 3,350           |                   | 3,350         |
| Capital                                     | 2,801               | 7,712             | 10,513        | 5,252               | 7,712             | 12,964        | 5,497           | 7,467             | 12,964        |

The above table excludes the remediation costs of the field hospitals, when they are handed back. The estimated costs have been included in the Revenue financial return (£420k for the Vale expected in July 2020 and £180k for the Vale expected in March 2021).

## 4. Net Expenditure Profile Analysis (Table B)

Not required for this return as YTD only columns are required.

## 5. Ring Fenced Allocations (Tables N&O)

Not required for this return.

## **6. Saving Plans (Tables C, C1, C2, C3)**

Not required for this return.

## **7. Welsh NHS I&E Assumptions 2020/21 (Tables D & E)**

Table D has been completed and agreed with other organisations.

The financial plan also includes provision for additional costs arising from the WRP risk sharing arrangement of £1.7m which is consistent with the information provided by NWSSP. This provision has not been included in Table D.

Table E shows the anticipated allocations assumed within our M1 position.

The Health Board can confirm that all LTA documents have been signed by both parties.

## **8. Balance Sheet & Aged Welsh NHS Debtors (Table M)**

The S1/S2 forms relating to the Balance sheet transfer following the Bridgend boundary change have been signed off by both Health Boards.

All invoices included in Table M were agreed as part of the year end Agreement of Balances exercise. Payment has been received for all invoices in May.

## **9. Cash Flow Forecast (Table G)**

Not required for this return.

## **10. Public Sector Payment Compliance (Table H)**

Not required for this return.

## **11. Agency Expenditure (Table B2)**

M1 agency expenditure was £3.27m (7% of total Pay) which was an decrease of £0.7m compared to the average of Q4 19/20 of £3.96m:

|              | <b>M01</b>  | <b>M12</b>  | <b>M11</b>  | <b>M10</b>  |
|--------------|-------------|-------------|-------------|-------------|
|              | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   | <b>£m</b>   |
| Medical      | 1.40        | 1.68        | 1.50        | 1.55        |
| Nursing      | 1.41        | 2.01        | 1.38        | 1.58        |
| Other        | 0.46        | 1.02        | 0.68        | 0.47        |
|              |             |             |             |             |
| <b>Total</b> | <b>3.27</b> | <b>4.72</b> | <b>3.57</b> | <b>3.60</b> |

All areas of agency have reduced in M1 as the supply of staff during the COVID situation has been more difficult.

## **12. Capital Schemes and Other Developments (Tables I &K)**

The M1 CRL value of £30.0m was confirmed on the 27<sup>th</sup> April 2020. Additional forecast expenditure has been included in Table I relating to COVID 19 with corresponding anticipated allocations included in Table E. As at Month 1 £2.3m has been charged against the CRL.

Circa 50% of this expenditure relates to COVID 19 and, with deliveries arriving and works completing in late April / early May, it is expected that this expenditure will significantly increase in M2 and M3. Due to the urgency around works especially for oxygen flow and capacity, these costs are only now becoming confirmed. Ongoing modelling of COVID 19 related demand is also impacting on planned capacity and this is kept under close review. It is expected that the M2 return will show an updated position especially in relation to the Field Hospitals and external capacity.

The risk ratings of all schemes have been reviewed and given the uncertainties relating to the impact of COVID 19 on current programmes there are 4 schemes which are considered to be medium risk as per the table below. The risks described below mainly relate to the risk of slippage on these scheme. For each scheme there is also a risk around the additional costs that are likely to be incurred as the schemes progress with delays and in complying with revised Government guidelines.

| <b>Scheme</b>        | <b>Risk Rating</b> | <b>Potential Risk Value<br/>£m</b> | <b>Description</b>                                                                                                                                                                                                                                                                                  |
|----------------------|--------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PCH G&FF<br>Phase 1b | Medium             | (2.0)<br>slippage                  | The scheme is continuing on site but a delay to the current programme of 6 weeks has been forecast. The current phasing of costs is being reviewed however the indication is that c£2m of expenditure will fall into 21/22. This was reported to WG in the CRM held on the 7 <sup>th</sup> May 2020 |
| Dewi Sant<br>Phase 2 | Medium             | tbc                                | The scheme was put on temporary hold while the Health Board's COVID 19 surge plans were developed. Whilst contractors are now back on site the profile of spend will need to be reviewed and assessed for slippage.                                                                                 |

|                            |        |                       |                                                                                                                                                                                                                                                                                                    |
|----------------------------|--------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EDRMS & Digitisation (I2S) | Medium | tbc                   | Due to COVID 19 the project is currently on hold. A revised go live date will need to be set before a profile of spend can be prepared.                                                                                                                                                            |
| CT Scanner                 | Medium | 0.35 additional costs | As this scheme is currently on hold it has been assessed as medium risk. It is anticipated that contractors will be back on site soon and the scheme will complete this year. However there are some significant cost impacts related to the delay as mentioned at the CRM on 7 <sup>th</sup> May. |

There are costs that are currently not reflected in the above and they relate to delay costs for approved or yet to be approved schemes where there have been submitted business cases. The impact of social distancing has led to estimated cost pressures on the G&FF Phase 1B scheme of £0.5m. This figure is being developed with the SCP. The delay to the commencement of G&FF Phase 2 is also likely to result in an additional £3.1m cost to that included in the submitted FBC. Other schemes may see smaller pressures and confirmation is awaited on the Sunnyside scheme as to whether there is any cost impact. These issues have been discussed at the May CRM and advice is sought as to how these are presented in future monthly returns.

As profiles for the year have not yet been set, the planned spend to date matches the actuals for M1 and will also be the case for the M2 return.

The Health Board is reporting a forecast break – even position overall assuming all COVID related expenditure is funded by Welsh Government as per the anticipated allocations included in Table E.

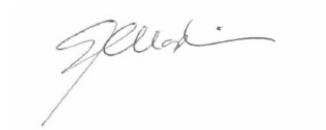
There have been no disposals so far during 2020-21.

### **13. Other Issues**

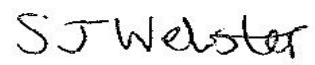
The opening CRL (Table E) reconciles to the CRL in Table I. A validation error has occurred when the Total CRL (including anticipated) in Table E is compared to the Forecast Plan in Table I (which does not include anticipated allocations).



#### **14. Authorisation**



**S Hopkins**  
**Interim Chief Executive**



**S Webster**  
**Director of Finance**

**Date: 18 April 2020**

### **Action Points arising from Month 12 Response**

| <b>Action Point</b> | <b>WG Comment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>CTM Response</b>                    |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 12.1                | It is acknowledged that the NHS payment performance of 77.1% has improved from 2018/19 (74.6%); however, this still remains materially below the best practice payment performance objective of 95%. I trust that urgent actions are being identified which will result in a material improvement in performance in 2020/21.                                                                                                                                                                                                                                                                                                                                                           | Noted.                                 |
| 12.2                | I note that the c/f underlying deficit position has increased by £6.000m to £17.900m, following clarification that the targeted c.£4.900m of mitigating actions (FYE) has not materialised and there being an increase in the FYE of in year pressures totalling c.£1.100m. Although I acknowledge your optimism in recent months, during which time I have continually challenged the inclusion of the mitigating actions (FYE) value; I would request that going forward your methodology is revised to ensure it is balanced and in line with the spirit of the WHC. I trust that this revised position will be incorporated into the starting position for the Month 1 submission. | Noted                                  |
| 12.3                | As per my email exchange (30/04/20) with your colleague Andrew Jones, you were the only Health Board who did not quantify and report at Month 12, the additional 6.3% pension amounts apportioned to the applicable ring fenced expenditure categories (i.e. GMS & Dental). If the Health Board intends to undertake this in the DA LFRS, then please contact Gary Young to confirm the value.                                                                                                                                                                                                                                                                                         | Actioned                               |
| 12.4                | I refer to my previous email regarding outstanding Creditors sent 29 April 2020. I note that you have 10 creditor invoices outstanding, which are all due for payment before your next submission.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Payment has been made on all invoices. |
| 12.5                | I am requesting that all organisations provide a refreshed update in the Month 1 narrative on the progress made to agree and sign-off the Welsh 20/21 LTA/SLA's.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Noted. Please see Section 7.           |

|  |                                                                                                                                                                                                                                                                                                             |  |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | It is important that these are all agreed ( <u>signed</u> ) to ensure there is an efficient transition when the current arrangements come to an end. We will use the information submitted at Month 1 to create an all Wales status matrix, which will be shared with Alan Brace and circulated for action. |  |
|  |                                                                                                                                                                                                                                                                                                             |  |