

CWM TAF MORGANNWG UNIVERSITY HEALTH BOARD MONITORING RETURNS – May 2020 FINANCIAL COMMENTARY

Introduction

These returns outline the financial position for Cwm Taf Morgannwg (CTM) UHB for the period ended 31 May 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 M2 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 on 23 July 2020Following conformation that this.

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. 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 this Monitoring Return.

Month 2 - Actual Position

The Health Board is reporting a M2 deficit of £5.7m and a M2 YTD deficit of £11.8m. This position includes £11.8m of additional costs attributed to Covid-19.

Month 2 - Forecast position (Table A)

We are currently forecasting a deficit of £73.2m for 2020/21. The key movements from Plan to forecast out-turn are summarised below:

	£m
IMTP / Annual Operating Plan	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)	(68.0)
Planned Operational Expenditure Cost Reduction Due To Covid-19 (Positive Value)	7.8
Slippage on Planned Investments/Repurposing of Developmental Initiatives Due To Covid-19 (Positive Value)	2.6
Forecast Outturn (- Deficit / + Surplus)	(73.2)

The key changes from the M1 forecast deficit of £50.7m are summarised below:

	£m
Month 1 Forecast	50.7
Additional antigen sampling and testing costs above the M1 estimate of £2m(basis of £10.4m revised estimate to follow)	8.4
Antibody sampling and testing (early estimate)	1.6
Additional field hospital set up cost(provision for Bridgend to be extended to 480 beds and rectification costs updated),	1.6
Students – 335 wte fixed term contracts (3m-6m)	3.4
HCSW – 290 wte fixed term contracts (6m)	4.5
Bank staff – 100wte fixed term contracts (6m)	1.8
Additional planned care cost reductions above the M1 estimate of £4.0m	(3.8)
Private hospitals(high level of estimate of cost of use post 7 July assumed to be charged to HBs)	4.3
Track & Trace UHB Costs	0.8
Month 2 Forecast	73.2

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

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 M2 we are therefore unable to put a robust estimate on the forecast recurrent position.

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).
- 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.
- 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:

	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	17.6	22.3	17.8	15.6	73.2
Major projects					9.1
Additional costs of project delays related to Covid-19					3.9
Total Capital					13.0

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 and M2 provide a reasonable baseline for estimating M3.

Further information on the key areas of cost impact noted above are summarised below:

Pay and Non Pay increases

Field hospitals and nursing homes set up costs (£5.3m - it this the right number now incl remediation 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. The forecast provides for the Bridgend facility being fitted out fully which would then have a capacity of up to 480 beds. Currently an area which can accommodate 250 beds has been fitted out. A decision has not been made on this increase but there is a significant likelihood 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.

Acute hospital ward staffing costs- These are higher than plan in April and May. It is expected that these staffing costs will increase, largely as a consequence 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. Also, there are risks around the height of second Covid-19 peak.

Antigen sampling and testing (£10.4m) - The key assumptions are as follows:

- Demand for community testing including closed testing = circa 1200/day
- Hospital test demand should be 450/day - currently much lower
- Hospital testing should be done on in house platform to reduce turnaround times and this would be a cost to CTM(not PHW)
- POCT not operational - would increase costs as and when it is
- Community sampling costs £14 per sample based on 5 minute slots and the proposed workforce model - potential for lower cost model or primary care alternative being explored
- Assumes staff testing requires 20% of staff to be tested twice per week via self swabbing at low unit cost of £5 for admin and non-pay only. This is a high level estimate only pending a clear service and workforce model.
- The UHB has recently been informed that WG have agreed to move to the NHS England process. This will change the current forecast which will be updated in M3.

Antibody testing (£1.6m)- Based on 10% front line staff tested once each week, plus teachers and social care staff. Estimated £14 unit cost of sampling and £8 unit cost of lab testing

Contact tracing, and surveillance – The health board element of these costs is estimated at £0.8m This was not included in the forecast submitted on 5 June, so increases the overall forecast slightly to that submitted then.

Use of the Vale and Cardiff Bay Nuffield Facilities (£4.2m) -

Assumes 100% use July and Aug, then reducing down to zero by December through development of internal essential elective operating including NPT. Assumes 10% reduction in initial contract cost through renegotiation

Non-activity related costs – 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 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.

Primary care prescribing- As noted in Section 2 above, 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- 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.

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 June with only very limited re-starting before in Q2. 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 £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	2.4

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.

Capital expenditure

Capital costs of £9.1m have been committed in order to deliver the Covid-19 response. These costs 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.

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 now 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)

All invoices included in Table M were agreed as part of the year end Agreement of Balances exercise. Payment has been received for one of the invoices in June and we are awaiting confirmation of payment date for the remaining two.

9. Cash Flow Forecast (Table G)

There are no specific risks on cash flow other than those associated with the general I&E position.

10. Public Sector Payment Compliance (Table H)

Not required for this return.

11. Agency Expenditure (Table B2)

M2 agency expenditure was £3.8m (8% of total Pay) which was an reduction of £0.16m compared to the average of Q4 19/20 of £3.96m:

	M02	M01	M12	M11	M10
	£'m	£m	£m	£m	£m
Medical	1.30	1.40	1.68	1.50	1.55
Nursing	2.26	1.41	2.01	1.38	1.58
Other	0.23	0.46	1.02	0.68	0.47
Total	3.80	3.27	4.72	3.57	3.60

Agency expenditure has increased in M2, but is lower than the average of the last quarter of 19/20.

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

The M2 CRL value is £31.0m received on the 4th June 2020. Additional forecast expenditure of £9.1m has been included in Table I relating to COVID 19. A corresponding anticipated allocation has been included in Table E.

As at M2 £4.6m has been charged against the CRL and £2.5m of this expenditure relates to COVID 19.

The risk ratings of all schemes have been reviewed and (as reported in Month 1) 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 cover the risk of slippage on these schemes however 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.

Scheme	Risk Rating	Potential Risk Value £'000	Description
PCH G&FF Phase 1b	Medium	£2,000k - £2,500k slippage £500k additional costs	A delay of 6 weeks has been forecast. The phasing of costs is still being reviewed however the indication is that c£2m-£2.5m of expenditure will fall into 21/22. This was reported to WG in the CRM held on the 7 th May 2020 as c£2m and will be discussed further at the CRM on the 12 th June 2020. The impact of social distancing has led to cost pressures on the G&FF Phase 1B scheme relating to an estimated £0.5M. This figure is being developed with the SCP.
Dewi Sant Phase 2	Medium		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 and additional costs.
EDRMS & Digitisation (I2S)	Medium		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	£350K additional costs	Scheme was on hold however contractors are now back on site. The scheme is anticipated to complete in year however there are some significant cost impacts related to the delay as mentioned at the CRM on 7 th May.

There are costs that are currently not reflected in the above and they relate to delay costs for yet to be approved schemes where there have been submitted business cases. This applies in the main to G&FF Phase 2 and Sunnyside however there are other smaller schemes that will also be impacted. These have been discussed at the May CRM and advice is sought as to how these are presented in future monthly returns.

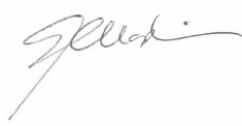
As reported in the M1 return the profiles for the year will not be set until M3 and hence the plan to date has been matched spend.

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.

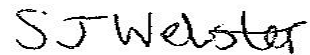
There have been no disposals so far during 2020-21.

13. Other Issues

14. Authorisation



S Hopkins
Interim Chief Executive



S Webster
Director of Finance

Date: 11th June 2020

Action Points arising from Month 12 Response

Action Point	WG Comment	CTM Response
1.1	<p>On review of the Opening Plan reported in Table A, you have increased New Cost Pressures by £4.3m from your IMTP and are now projecting the release of Accountancy Gains of the same amount. Please clarify the following in your next submission:</p> <ul style="list-style-type: none"> ○ Provide an analysis of the additional £4.3m 'New Cost Pressures' ○ Provide an analysis of the <i>identified</i> SoFP releases being reported as Accountancy Gains and explain the circumstances for the release and how this correlates to the June and September phasing 	<p>The IMTP netted off non recurrent investment and non recurrent benefits.</p> <p>The monitoring return has now expanded this analysis.</p>
1.2	<p>I note you received WG funding for 'Covid-19 Additional Mental Health in patient capacity' in April £0.800m and following your submission in May £0.755m. Please report this on line 21 (In Year WG Covid-19 Funding) with the corresponding spend reported on the appropriate lines in Table B3.</p>	<p>This allocation relates to WHSSC expenditure, WHSSC are reporting any COVID related costs directly.</p>
1.3	<p>Although the full ring fenced tables are not due until Q2, please assess and comment on the impact of paying GDS contract at 80% and record any benefit in the Covid-19 Table (B3).</p>	<p>The benefit of paying at 80% is currently being more than offset by a reduction in Patient Charge Revenue. The M2 YTD position is a saving of £700k and a PCR loss of £960k, giving a net cost of £260k. The current forecast is assuming £1.5m pending further work to confirm if the 80% position will be extended post Qtr1.</p>
1.4	<p>I note that your narrative (page 5 under 'Capital') indicates that £3.300m of Covid-19 revenue set up costs are not being factored into Table B3. Please ensure that all additional Covid-19 revenue costs are included in Table B3.</p>	<p>All set costs are included in Table B3.</p>

1.5	Please provide further specific details on the 'Funding Slippage' item reported within Section D (Slippage on Planned investments /Repurposing of Development Initiatives).	Please see Section 3.
1.6	Please provide further supporting details for the assumptions used in Table B3, which currently suggest the elective activity will remain reduced for the full year.	
1.7	Please provide sufficiently detailed supporting details for the value and profile of the non delivery of savings i.e. to support that no progress\ delivery will be achieved this year on the balance of savings 'still to be finalised at Month 1' of £4.285m, that only c£0.600m of savings will be delivered from the £8.030m (M1-6) finalised plans, during the first six months and that 50% of the remaining finalised plans will be achieved in the second six months.	Please see Section 3.
1.8	I note that you have included the WHSSC forecast underspend as per the Risk Sharing schedule. I refer you to the email to Stuart Davies, which queried the methodology; therefore if this value changes at Month 2, please update your Table B3 accordingly in the May column (i.e. please do not change the previous months data).	Noted.
1.9	I refer to the Inter Organisational Income and Expenditure Reconciliation email from Gary Young on the 21 st May, which noted differences in assumptions with other Welsh NHS Organisations. Please liaise with relevant colleagues to ensure that these discrepancies are eliminated prior to your Month 2 submission.	Actioned.
1.10	I note that you are forecasting Donated Assets/ Govt Grant Receipts of £0.047m on Table I yet are not anticipating the Resource reduction in Table E, line 10. Please review this in the next submission.	Actioned.
1.11	Please action the following completion issues identified within Table B3 :	Completed

	<p>1) Populate the applicable WTE and changes in bed capacity lines within sections A and A1 respectively.</p> <p>2) Ensure item descriptions are included within all the free text sections where values have been profiled (i.e. Lines 93 – 95 and Lines 120 -122).</p> <p>3) Unless explained in the narrative, items should comply with the completion criteria (i.e. positive or negative values) stipulated for each section (e.g. Item on Line 120 has a positive value profile in Section C (negative values only).</p>	
1.12	Please continue to include all NWIS and NWSSP income and expenditure assumptions against the Velindre Line of Table D, this should include the latest NWSSP WRP risk sharing expectations, being £1.649m at Month 1.	Noted and actioned. The Velindre figure includes the WRP risk sharing arrangement at month 2.
1.13	The anticipated income items have been shared with colleagues for review\comment; however, please ensure that a WG contact is provided against each anticipated income item.	Noted and actioned.
1.14	As requested in the guidance, please ensure each monthly narrative provides the date the main Committee of the Board will receive that month's Financial Monitoring Return (currently consisting of the narrative, Table A, Table A2 and Table B3).	Noted and actioned. The M1 and M2 MR information will go next meeting of the Planning, Performance and Finance committee which is on the 23rd July.
1.15	In addition, please confirm the nominated Deputies who would approve the monthly monitoring submission in the absence of yourself and/or the Chief Executive.	Nick Lyons and Mark Thomas