



**AGENDA ITEM**

7.2

**CTM BOARD**

**FINANCE UPDATE – MONTH 1 of 2021/22**

<b>Date of meeting</b>	27/5/2021
<b>FOI Status</b>	Open/Public
<b>If closed please indicate reason</b>	Not Applicable - Public Report
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<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)**

<b>Committee/Group/Individuals</b>	<b>Date</b>	<b>Outcome</b>
Welsh Government	14/5/2021	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 1 of 2021/22

### 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 1 (M1). This report should be read in the context of the CTM Integrated Medium Term Plan for 2021/22 to 2023/24 which is available on the website.

The draft financial plan for 2021/22 can be broken down into three separate elements:

- The core plan
- Covid response
- Planned care recovery

The three key elements of the financial plan are summarised below:

Summary of Core Plan, Covid, & Planned Care Recovery	Q1	Q2	Q3	Q4	Total
	£m	£m	£m	£m	£m
Core plan - assuming even phasing over Q1-4 initially	5.7	5.7	5.7	5.7	22.8
Covid costs net of WG funding	-7.4	-4.0	4.5	3.9	-3.0
Planned care recovery (costs assumed matched by funding)	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>-1.7</b>	<b>1.7</b>	<b>10.2</b>	<b>9.6</b>	<b>19.8</b>
<b>Cumulative total</b>	<b>-1.7</b>	<b>0.0</b>	<b>10.2</b>	<b>19.8</b>	

This shows that over Q1 and Q2, the deficit in the core plan is offset by the surplus against Covid funding, giving an overall breakeven position. Over the year as a whole the draft plan currently has a deficit of £19.8m, which entirely relates to Q3 and Q4.

The table below shows our initial assessment of our Covid response costs and income assumptions for 21/22.



<b>Covid costs and funding 2021/22</b>	Q1	Q2	Q3	Q4	Total
	£m	£m	£m	£m	£m
<b>Programme costs:</b>					
TTP	2.9	2.5	2.7	2.7	10.8
Mass Vaccination	3.2	2.0	2.2	2.2	9.6
Cleaning Standards	0.6	0.6	0.6	0.6	2.3
CHC/FNC Support	0.9	0.9	0.9	0.9	3.6
PPE	0.6	0.5	0.3	0.3	1.7
<b>Sub total</b>	<b>8.2</b>	<b>6.4</b>	<b>6.6</b>	<b>6.6</b>	<b>27.9</b>
Assumed funding- programme element	-8.2	-6.4	-6.6	-6.6	-27.9
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Other Covid costs:</b>					
Long COVID	0.1	0.1	0.1	0.1	0.5
Field Hospital	1.0	0.5	0.3	0.3	2.2
Primary care prescribing	0.9	0.9	0.9	0.9	3.6
Dental income Loss	0.4	0.3	0.6	0.5	1.8
IT	0.2	0.2	0.2	0.2	0.7
Planned care exp're reductions	-1.5	-0.8	0.0	0.0	-2.3
Secondary care reactive costs	3.4	1.8	1.4	0.9	7.5
Undelivered Savings	4.0	1.0	0.0	0.0	5.0
Costs to transition back out of Covid operating models	1.0	1.0	1.0	1.0	4.0
<b>Sub total</b>	<b>9.6</b>	<b>5.1</b>	<b>4.5</b>	<b>3.9</b>	<b>23.1</b>
Confirmed funding- formula element	-17.0	-9.1			-26.1
<b>Total</b>	<b>-7.4</b>	<b>-4.0</b>	<b>4.5</b>	<b>3.9</b>	<b>-3.0</b>

It is important to note that the confirmed funding of £26.1m has been phased in M1-M6 based on the estimated spend profiles.

The WG Monitoring return guidance for 21/22 acknowledges that, due to the reduced status of the plans this year and the assessed maturity of the draft plans received at the 31 March 2021, the period from which the plan is 'fixed' is to be extended from M1 to M3. Further work is therefore still needed to produce a balanced plan for 21/22.

The following sections are included in this report:

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Note 1: Please note that this is a shortened version of the usual monthly finance report. We are reviewing the Board reporting formats for 21/22 and a full report will be provided from M2.



## 2. HEADLINE MESSAGES AND KEY ACTIONS

### 2.1. Headline Messages

Key aspects of the 2021/22 financial plan and financial outlook

Key aspects of the financial plan

- The plan assumes that around £9m of existing cost pressures projected by ILGs & Directorates are avoided or managed out. There is a £4m transitional budget to support this and Covid funding for Q1 may also provide some temporary headroom if actual costs are lower.
- The plan assumes recurrent savings delivered will be £16.1m and in year savings £11m. In comparison with this, bottom up savings plans are so far falling significantly short of this.
- The provision for new investment in the plan is relatively low (£1m enabling and £1m transitional, of which c £0.3m has been committed), and a small amount of non-recurring funding.
- The plan is breakeven over Q1/2 based on unused reactive Covid funding for Q1/2 offsetting a core plan deficit, but has a deficit of £19.8m in Q3/4 for which period no reactive Covid funding has been allocated.
- The plan is bolstered on a one off basis in 21/22 by release from the balance sheet of over £6m and by £4.7m non-recurring release of budgets committed to out of hospital transformation from 22/23. Therefore the underlying recurrent position is worse and is a £32m deficit provided that the assumptions above are delivered.

There is therefore a lot of risk in the plan, and even if it is delivered in 21/22, there will remain a large recurrent deficit to address in 22/23 onwards.

The overall funding position across WG is such that there is likely to be further funding potentially becoming available, particularly around planned care recovery. This may be at a level that exceeds what the NHS in Wales could practically spend in 21/22, and so an element may be made available for other initiatives on a one-off basis.

However:

- This is predicated on the plan being delivered internally
- And on WG first utilising some of the resource not yet allocated to address planned deficits across most Health Boards.

We will identify priorities for any non-recurring investment, and this can initially be prioritised against the internal sums set aside in the plan, but the focus needs to be on delivering the plan above, which we need to do from a sustainability perspective anyway, and this will put us in the best position to be able to utilise any non-recurring WG funding which does become available.

As at Month 1, with very significant uncertainty that always comes with Month 1 reporting, we are broadly at break even, but £0.6m over the phased plan for Month 1 (which was a £0.6m surplus):

	M1 Actual	M1 Opening Plan
	£m	£m
Core plan	2.5	1.9
Covid 19	(2.5)	(2.5)
Planned care recovery	0	0
<b>Total</b>	<b>0</b>	<b>(0.6)</b>

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

#### 3.1 Financial Position and Key Targets – Month 1

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 £971k and £71k for revenue and capital expenditure respectively. This means that the Health Board can overspend by £971k and £71k for revenue and capital expenditure respectively in 2021/22 and still meet its three year statutory duty. 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 2021/22 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	9	9		<b>19,800</b>
<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	To be reported from M2 onwards			
<b>Public Sector Payment Policy</b> To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance	%	89.0%	89.0%		<b>95%</b>



### 3.2 Revenue Performance by Expenditure Category

	Annual Budget £'000	Over/(Under) Spend	
		Current Month £'000	Year to Date £'000
<b>Delegated Budgets</b>			
Pay	541,637	2,601	2,601
Non Pay	670,332	(1,977)	(1,977)
Income	(138,785)	81	81
Delegated Savings Plans	(12,420)	(10)	(10)
<b>Total Delegated Budgets</b>	<b>1,061,765</b>	<b>694</b>	<b>694</b>
Non Delegated Budgets	80,820	(685)	(685)
WG COVID Allocations	(50,175)	0	0
WG Allocations	(1,091,409)	0	0
<b>GRAND TOTAL M1</b>	<b>0</b>	<b>9</b>	<b>9</b>
<b>GRAND TOTAL Previous month</b>	<b>0</b>	<b>0</b>	<b>0</b>

The key issues to highlight in the M1 position are as follows:

- The delegated overspend of £694k is mainly due to timing issues which are expected to reverse in the coming months. This includes a £300k overspend on the Transformation project where the M1 costs are greater than the M1 budget which is based on the agreed WG funding for 21/22 of £7.0m. Further work is ongoing to finalise the Transformation budget for 21/22 and the associated spending plans.
- As at M1 the pay overspend is overstated and the non pay overspend is understated. This is due to the phasing of Delegated reserve budgets in M1 and this will be corrected in M2.
- The key components of the £685k Non Delegated underspend is shown in Section 3.8.



### 3.3 Pay Expenditure trends

The M1 Pay expenditure was £49.3m and the monthly trend is summarised below.

	<b>M1</b>	<b>M12</b>	<b>M11</b>	<b>M10</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
A&C	6.4	15.3	6.3	6.7
Medical	12.1	23.3	11.5	8.7
Nursing	15.6	30.4	15.6	17.9
ACS	6.4	14.6	6.2	7.4
Other	8.8	19.6	8.54	9.4
<b>Total</b>	<b>49.3</b>	<b>103.2</b>	<b>48.1</b>	<b>50.1</b>

The Key issues to highlight are as follows:

- The M12 position included additional accruals for NHS Pensions, NHS Staff bonus, Annual Leave not taken & study leave, which totalled £52m.
- Medical costs include accountancy gains in M10 and M11 of £3.6m and £0.4m respectively. The gross cost excluding accountancy gains would be £12.3m and £11.9m respectively.
- The increase in Nursing & ACS costs in M10 was due to the introduction of a new accruals methodology (Nursing £1.9m and ACS £1.2m).

After taking account of the above comments, the M1 position is broadly consistent with the previous 3 months.

The M1 agency expenditure was £3.53m and the monthly trend (excluding accountancy gains) is summarised below.



	<b>M1</b>	<b>Q4 Ave</b>	<b>Q3 Ave</b>
	<b>£'m</b>	<b>£m</b>	<b>£m</b>
Medical	1.3	1.3	1.27
Nursing	1.37	2.04	1.82
Other	0.86	0.87	0.69
<b>Total</b>	<b>3.53</b>	<b>4.21</b>	<b>3.78</b>

The Key issues to highlight are as follows:

- Medical agency costs and other agency costs in M1 are broadly consistent with the averages for Q4 and Q3.
- Nurse agency costs in M1 were below the Q4 average by circa £680k. This reduction includes a £300k reduction Ward Costs, a small change in A&E and a £280k reduction in other areas excluding A&E and Wards. This reduction is attributed to establishments starting to return to normal levels.



### 3.4 Revenue Performance by Area

	<b>Over/(Under) Spend</b>		
	Annual Budget £'000	Current Month £'000	Year to Date £'000
<b>Integrated locality groups:</b>			
Bridgend	194,588	106	106
Merthyr & Cynon	196,718	164	164
Rhondda & Taff Ely	205,571	(176)	(176)
<b>Total ILGs</b>	<b>596,877</b>	<b>94</b>	<b>94</b>
<b>Delivery Executive:</b>			
Medicines Management	141,604	(308)	(308)
Primary care	114,936	(53)	(53)
Facilities	14,329	142	142
COVID Planned projects	3,113	371	371
Other	1,460	26	26
<b>Total Delivery Executive</b>	<b>275,442</b>	<b>178</b>	<b>178</b>
Contracting & Commissioning	115,672	(49)	(49)
Corporate Functions	72,774	472	472
<b>Total Delegated Budgets</b>	<b>1,060,764</b>	<b>694</b>	<b>694</b>
Non Delegated budgets	(1,060,764)	(685)	(685)
<b>GRAND TOTAL M1</b>	<b>0</b>	<b>9</b>	<b>9</b>
<b>GRAND TOTAL Previous month</b>	<b>0</b>	<b>0</b>	<b>0</b>

The key issues to highlight in the M1 position are as follows:

- The Medicines Mgt underspend of £300k is mainly due to increased rebates from suppliers.
- The £371k overspend on COVID projects includes a £239k overspend on the Field Hospital due to increased medical staff costs plus £130k of General COVID costs for which there is no budget. A large number of transactions are still being reported against a General COVID code which should now be reported in local service areas in 21/22. This position will be reviewed for M2.
- The £472k overspend on Corporate functions includes a £183k overspend in Planning & Partnerships. This includes £135k of the £300k total overspend on Transformation in M1.

### 3.5 Forecast Positions

As at Month 1 we are reporting a forecast In year deficit of £19.8m and a forecast recurrent deficit of £32.2m. This is consistent with the draft financial plan submitted to WG as part of the IMTP submission.

	M1 In year Forecast	M1 Recurrent Forecast
	£m	£m
Core plan	22.8	32.2
Covid 19	(3.0)	0
Planned care recovery	0	0
<b>Total deficit or (surplus)</b>	<b>19.8</b>	<b>32.2</b>



### 3.6 Covid Position

A summary of the additional revenue costs being classified as Covid is provided below.

	<b>M1 Actual</b>	<b>M1 Opening plan</b>	<b>M1 Forecast</b>	<b>Opening plan Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Programme costs</b>				
TTP	0.77	1.19	9.88	10.82
Mass Vaccination	1.1	1.1	9.6	9.6
Extended Flu	0	0	0	0
Cleaning standards	0.19	0.19	2.32	2.32
CHC/FNC support	0.3	0.3	3.6	3.6
PPE	0.15	0.2	1.6	1.65
<b>Sub total</b>	<b>2.5</b>	<b>2.98</b>	<b>27.04</b>	<b>27.99</b>
Assumed funding – programme element	(2.5)	(2.98)	(27.04)	(27.99)
<b>Total Programme costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Covid costs:</b>				
Field hospital	0.61	0.46	2.28	2.13
Primary care prescribing	0.3	0.3	3.6	3.6
Dental income loss	0.34	0.37	3.02	3.05
Undelivered savings	1.34	1.34	5.0	5.0
Operational expenditure cost reduction	(0.5)	(0.5)	(2.25)	(2.25)
Slippage on Planned investments and re-purposing of development initiatives	0	0	0	0
Other covid costs ( including Long covid, IT, Secondary care reactive costs and Costs to transition out of Covid operating models)	1.34	1.34	11.49	11.49
<b>Sub total</b>	<b>3.43</b>	<b>3.31</b>	<b>23.14</b>	<b>23.01</b>



Confirmed funding	(5.89)	(5.89)	(26.1)	(26.1)
<b>Total Other Covid costs</b>	<b>(2.46)</b>	<b>(2.58)</b>	<b>(2.96)</b>	<b>(3.09)</b>

The opening plan for TTP included £0.3m for the Community testing across CTM in M1 (forecast £0.3m). No costs have been reported for M1 pending confirmation of funding from WG

There are no other significant issues to note at M1.



### 3.7 Savings Performance by Area

The financial plan for 2020/21 includes a £16.2m recurring savings target which has been reduced by £5.0m on an In year basis only to reflect the ongoing impact of Covid 19 on savings delivery at the beginning of 21/22.

The savings plans being reported at M1 are consistent with the IMTP submission at the end of March:

	Month 1		
	M1 YTD	20/21	Rec
	£m	£m	£m
Savings targets	1.3	16.2	16.2
Actual and Forecast Savings	0	(7.8)	(10.8)
<b>Sub total</b>	<b>1.3</b>	<b>8.4</b>	<b>5.4</b>
Covid funding abatement	<b>(1.3)</b>	<b>(5.0)</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>3.4</b>	<b>5.4</b>

Further work is ongoing to close the £3.4m gap for 21/22 and this will continue to be updated during Q1.

An analysis by ILG, service area and Corporate directorates will be provided from M2 onwards.



### 3.8 Non Delegated budgets

The Month 1 position is summarised below:

	M1
	£k
Savings Contingency - £0.46m	(38)
Planned Deficit - £22.8m	1,903
Forecast COVID Surplus (Apr – Sept) £11.3m	(2,458)
Forecast COVID Deficit (Oct – Mar) £8.3m	-
Other variances	(92)
<b>Total</b>	<b>(685)</b>



### 3.9 Key Risks and Opportunities

The key financial risks and opportunities for 21/22 are summarised below. These are consistent with the draft financial plan submitted to WG as part of the IMTP submission. These will be reviewed and updated as part of the wider plan update in Q1.

	Month 1	
	Opps	Risk
	£m	£m
Risk of under delivery against forecast savings of £7.8m where existing savings plans are being reported as Amber		2.9
Risk of not closing the gap between the In year savings target of £11.2m and the latest forecast savings of £7.8m		2.5
Underlying deficit cannot be brought back in line with plan assumption		3.0
Unavoidable costs associated with TI status exceeding funding		0.5
Unavoidable recurring service/cost pressures exceeding plan		1.0
Potential LTA differences		0.25
COVID reactive costs exceeding plan		2.0
Delay and/or stop new investments	(0.5)	
Further balance sheet review	(1.25)	
Potential for annual leave reduction being greater than costs incurred	(1.0)	
<b>Total</b>	<b>(2.75)</b>	<b>12.15</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 1 Finance report for 2021/22.



## APPENDIX A

### WELSH GOVERNMENT ALLOCATIONS

	Annual Budget
	£k
Confirmed funding	1,051,092
Unconfirmed funding	90,492
<b>TOTAL</b>	<b>1,141,584</b>

### Key Issues

The most significant anticipated allocations include:

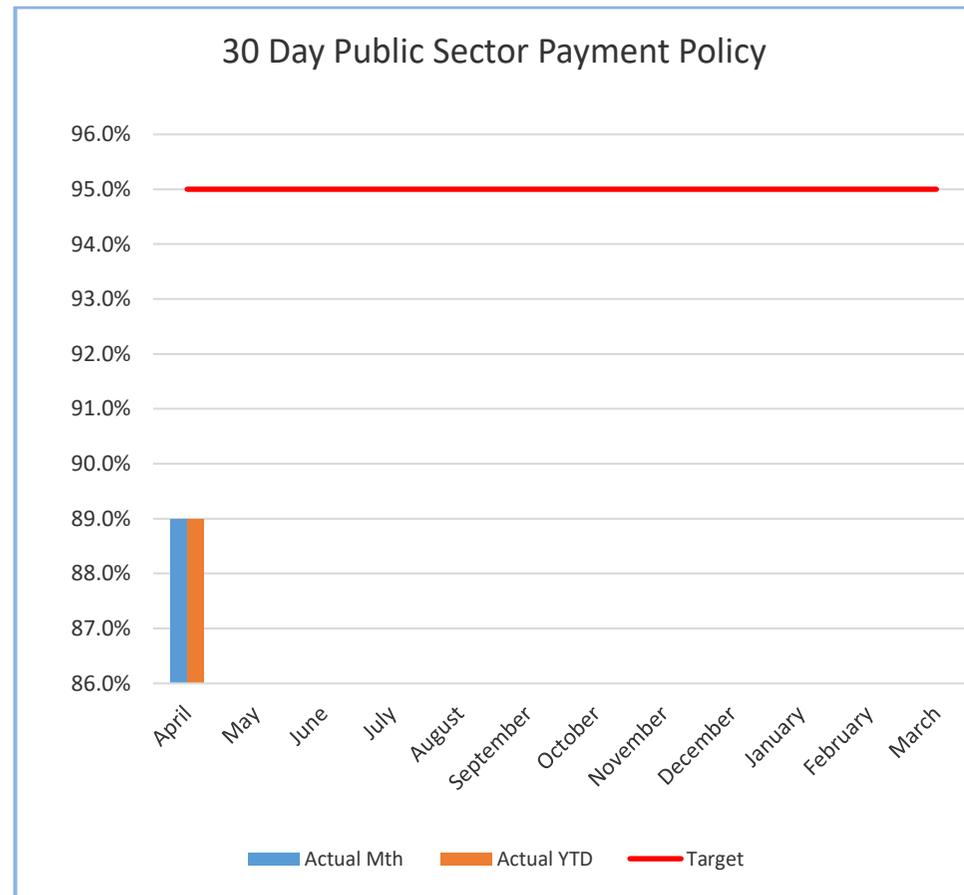
- COVID support (April to Sept )- £26.1m
- COVID Pass through Programmes - £27m
- Planned Care Recovery - £16.8m
- Transformation Fund - £7m
- Substance Misuse - £3.7m
- Targeted Intervention Support - £2.5m
- Invest to Save Funding - £2.1m
- ICF Dementia Funding - £1.2m
- Healthier Wales Prevention & Early Years Funding - £1m



## APPENDIX B

### 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 April was 89.0%.
- This reduction in performance was due to over 1,100 nurse agency invoices not being processed within the target (6% impact).
- 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 21/22. The forecast percentage for Month 12 is 95%, but this will require future months to achieve 96% compliance.