



AGENDA ITEM

7.2

CTM BOARD

FINANCE UPDATE – MONTH 9 of 2020/21

Date of meeting	27/1/2021
FOI Status	Open/Public
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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	14/1/2021	NOTED
Management Board	27/01/2021	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 9 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 9 (M9).

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

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

The following sections are included in this report:

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2. HEADLINE MESSAGES AND KEY ACTIONS

2.1.1. Headline Messages

Following the resetting of budgets in Month 7 to take account of the significant additional allocations for Covid from the Welsh Government, actual expenditure to Month 8 was £2.9m under those reset budgets, of which £2.2m was underspending against delegated budgets. In Month 9 expenditure was close to delegated budgets at £0.4m over budget. There are movements between ILGs and movements between non-pay and income but these are largely because of changes in budget responsibility and are neutral overall.

The key changes in the financial outlook within this report relate to forecasts.

Firstly, ILGs are now forecasting significant underspends against Winter plans of £1.7m. This is because of delays in getting some schemes in place and also the workforce supply constraints we are aware of. Secondly, the general movement in forecasts across the board is downward and so the £1m contingency we had agreed to include in the forecast has been removed. Additional spending on non-recurring schemes has been agreed where spend is feasible and value for money, and this has increased the planned value of such schemes from £6.2m to £7.8m. But even after this, the overall forecast underspend has increased from £17.1m to £19.8m. This is now the projected return of allocation to the Welsh Government if there was no Prior Year Adjustment.

The variance against non-delegated budgets has been adjusted to reflect this assumption of a £19.8m return of allocation, and it is this change which is causing the in month overspend against non-delegated budgets of £2.4m.

The resulting overall cumulative variance is now a £0.1m underspend, but critically this is now against a budget which is assumed to be lower because of the greater return of allocation to Welsh Government.

It remains very important that while we retain all allocation that we are reasonably likely to require, that we do return allocation which we are unlikely to be able to utilise. This is because the Welsh Government is looking at all the options for its overall budget, within the NHS and more broadly, to continue to address the Covid outbreak, and all sources of available funding need to be taken into account.

As outlined above, this planned return of funding to WG is still subject to the outcome of discussions with Audit Wales regarding a potential Prior Year adjustment, and also subject to the assumptions made around Welsh Government programme funding (see below). We are meeting with Audit Wales on 27 January to discuss their latest position on this key issue. If a Prior Year Adjustment is required, this will need to be covered from the planned return of allocation of £19.8m, and so would obviously reduce that return. Otherwise, the full £19.8m is planned to be returned to Welsh Government. A formal Accountable officer letter will follow once we have a decision from Audit Wales on the Prior Year Adjustment.

Summary of WG programme costs and anticipated allocations

	Forecast Expenditure £'k	Confirmed Allocations £'k	Anticipated Allocations £'k
Field Hospital Set up	5,742	2,987	2,755
Field Hospital decommissioning	720	0	720
Track, Trace & Protect (TTP)	9,670	1,833	7,837
Continuing Healthcare	3,400	3,390	10
Personal Protective Equipment (PPE)	6,063	1,010	5,053
Independent Hospitals	600		600
Extended Flu	700		700
Vaccination	2,169		2,169
Total	29,064	9,220	19,844

Please note that it is a co-incidence that both the forecast underspend and the value of further programme allocations from Welsh Government are both £19.8m.

The above forecast also assumes that the significant increase in the annual leave provision at the end of 2020/21 will be covered by Welsh Government funding. The estimated provision at 31 March 2021 is £15.9m, which represents an increase of £15.4m from March 2020. This estimate assumes that the pattern of annual leave in Q4 will be similar to the patterns in Q1-Q3. It is important to highlight the potential risk that the actual provision at 31 March could change significantly if the actual annual leave taken in Q4 is different to the Q4 estimate. This is therefore a key area of uncertainty in the financial forecast and the risk has been included in the risk table at Section 3.8.

There is significant risk that the final position will be different to the £19.8m forecast. The key areas of risk are around further slippage in Winter schemes, slippage against non-recurrent expenditure schemes, and balance sheet risks, including the annual leave accrual risk flagged above. There is a bigger risk of a larger surplus than of a lower surplus.

2.1.2. Key actions

Following the allocation of additional funding to delegated budgets for the Q3/Q4 Plan in M7, the key next steps (which are unchanged from M7) are as follows:




- Managing to the new delegated budgets for 20/21 following allocation of the further WG Covid funding.
- Tracking the M9 forecasts for the Winter schemes, non recurrent expenditure schemes and the estimated annual leave provision.
- Working with Audit Wales to finalise the discussions regarding key balance sheet principles and a potential Prior Year Adjustment.
- Increasing the focus and traction on savings plans and delivery in order to meet the latest forecasts for 20/21 and also to limit the recurrent impact going into 21/22.
- Agreeing the key principles, assumptions and approach for determining the forecast recurrent position going into 21/22 in preparation for the 21/22 IMTP.

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

3.1 Financial Position and Key Targets – Month 9

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

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

Target	Unit	Current Month	Year to Date	Trend	Forecast Year End
Revenue 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	2,806	(99)		0
Capital 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	988	(1,125)		0
Public Sector Payment Policy To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance	%	90.9%	93.0%		93.1%

3.2 Revenue Performance by Expenditure Category

	Annual Budget £'000	Over/(Under) Spend				Section
		Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000	
Delegated Budgets				Section 3.4	Section 3.4	
Pay	576,833	(1,011)	(2,404)			
Non Pay	709,443	3,389	(1,373)			
Income	(127,647)	(2,321)	(363)			
Delegated Savings Plans	(4,482)	318	2,200			
Total Delegated Budgets	1,154,147	373	(1,940)			
Non Delegated Budgets	61,141	2,433	1,841			3.7
WG COVID Allocations	(112,345)	0	0			
WG Allocations	(1,102,943)	0	0			
GRAND TOTAL M9	0	2,806	(99)	0	27,400	
GRAND TOTAL M8	0	(2,282)	(2,905)	0	26,500	

During M7, £74m of additional funding was allocated to Delegated budgets to meet the forecast overspends in the Q3/Q4 Plan plus additional funding for winter plans and various other Covid related costs.

The overspends and underspends in M7-9 therefore represent operational variances from the forecast overspends in the Q3/Q4 Plan.

The Key variances are as follows:



The most significant variances reported in the M9 current month position include:

- Pay – a £1.2m underspend across the three ILGs, which is due to a variety of reasons including slippage on Q3-4 plans.
- Non pay – a £2.1m overspend in Primary Care due to budget adjustments between Non Pay and Income, £0.6m overspend in ILGS and a £0.5m overspend in Estates which is a correction of an error in M8..
- Income- a £2.1m underspend in Primary Care due to the budget adjustment noted above.

The most significant variances reported in the M9 year to date position include:

- Pay – a £2.1m underspend across the three ILG. As noted above this is due to a variety of reasons including slippage on Q3-4 plans.
- Non pay underspends– Primary Care £0.7m and Contracting & Commissioning £1.5m.
- Non pay overspends- Medicines Management £0.3m, ICT £0.3m and PC&S £0.2m.
- Income- a £0.6m underspend in Medicines Management offset by a £0.3m overspend across the ILGs and a £0.2m overspend in W&OD.



3.3 Revenue Performance by Area

	Annual Budget £'000	Over/(Under) Spend			
		Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000
Integrated locality groups:				Section 3.4	Section 3.4
Bridgend	202,386	1,015	(61)		
Merthyr & Cynon	203,754	(1,241)	(775)		
Rhondda & Taff Ely	212,336	(59)	(220)		
Total ILGs	618,476	(285)	(1,056)		
Delivery Executive:					
Medicines Management	136,867	66	298		
Primary care	127,895	(49)	(523)		
Facilities	20,158	(132)	52		
COVID Planned projects	22,591	3	3		
Other	2,462	(13)	(43)		
Total Delivery Executive	309,972	(125)	(213)		
Contracting & Commissioning	135,239	(130)	(1,600)		
Corporate Functions	90,460	913	928		
Total Delegated Budgets	1,154,147	373	(1,940)		
Non Delegated budgets	(1,154,147)	2,433	1,841		
GRAND TOTAL M9	0	2,806	(99)		27,400
GRAND TOTAL M8	0	(2,282)	(2,905)		26,500

Key variances

- The £1.6m YTD Contracting underspend includes a £1.2m improvement in the WHSSC position and a £0.4m improvement in the Velindre NICE/HCD position.
- During M9, there has been a transfer of Services between Bridgend ILG and Merthyr & Cynon ILG resulting in large in month movements between the two. The £0.8m YTD underspend in M&C is mainly related to pay underspends.
- The £0.9m YTD overspend on Corporate functions includes £0.6m for ICT and £0.5m for Estates.
- The £0.5m underspend in Primary care is attributed to low spend on Cluster funded projects which are expected to catch up later in the year

3.4 Forecast Position

The Health Board is continuing to forecast a break-even position for 20/21 (M8: break-even).

A summary of the latest M9 forecast position is provided below:

	M9	M8
IMTP / Annual Operating Plan	£m	£m
Additional In Year Identified Savings - Forecast (Positive Value)	(10.1)	(10.4)
Additional In Year Welsh Government Funding Due To Covid-19 (Positive Value)	112.3	97.9
Operational Expenditure Cost Increase Due To Covid-19 (Negative Value)	(93.8)	(80.0)
Planned Operational Expenditure Cost Reduction Due To Covid-19 (Positive Value)	18.0	12.2
Slippage on Planned Investments/Repurposing of Developmental Initiatives Due To Covid-19 (Positive Value)	3.6	3.4
Forecast Outturn attributable to Covid-19 (-Deficit /+ Surplus)	30.0	23.2
Forecast Outturn Non Covid-19 (-Deficit /+ Surplus)	(0.5)	(1.4)
Net cost of Winter plans in excess of funding	(5.2)	(7.0)
Additional accountancy gains	11.3	11.3
Non recurring spend initiatives	(7.8)	(6.2)
Remove request for Bridging funding	(5.0)	(5.0)
Confirmed early repayment and deferral of I2S funding	(3.0)	(3.0)
Planned return of funding to WG , subject to outcome of discussions with Audit Wales regarding a potential Prior Year adjustment	(19.8)	(12.0)
Total	0	0

The key points to note are as follows:

- The key movements from M8 include improvements in the Covid and Non Covid forecasts of £6.8m and £0.9m respectively plus slippage on the Winter Plans of £1.7m. The total improvements of £9.4m have been offset by increased non recurring spend plans of £1.6m and an increases in the Planned return to WG of £7.8m.
- The movements on the Covid forecasts are shown in Section 3.5. The key improvement areas include Operational expenditure reductions £4.9m, Medical staffing £1.3m, Private hospitals £0.9m and Internal capacity £0.8m.
- The planned return of funding to WG, subject to outcome of discussions with Audit Wales regarding a potential Prior Year adjustment, and subject to the assumptions made around WG programme funding, is £19.8m. The PYA risk is circa £12m and we are meeting with Audit Wales on 17 January to discuss their latest position on this key issue. If a PYA is required, this will need to be covered from the planned return of funding of £19.8m. If not required, the full £19.8m will be returned to WG. A formal Accountable officer letter will follow once we have a decision from Audit Wales on the PYA.
- The annual leave provision at 31 March 20 was circa £0.5m. The estimated provision at 31 March 21 is £15.9m, which represents an increase of £15.4m. The above forecast assumes that this increase will be covered by WG funding. Our estimate assumes that the pattern of annual leave in Q4 will be similar to the patterns in Q1-Q3. It is important to highlight the potential risk that the actual provision at 31 March could change if the actual annual leave taken in Q4 is significantly different to the Q4 estimate. This is therefore a key area of uncertainty in the financial forecast and the risk has been included in the Risk table at Section 3.8.
- The Covid: Non Covid distinction is becoming increasingly difficult as the response becomes broader and the Covid, Winter, Essential services response covers most services and cost changes.

Forecast recurrent position

The planned recurrent deficit for the end of 2020/21 was £13.4m. As at Month 9 we are reporting a forecast recurrent deficit of £27.4m:

	M9	M8
	£m	£m
Planned recurrent deficit	13.4	13.4
Forecast shortfall in recurring savings delivery	14.0	13.1
M5 Forecast	27.4	26.5

At this stage it is very difficult to estimate the full impact of Covid on the recurrent financial position going into 20/21 and further work is needed to fully understand the impact of Covid 19 and resetting on the underlying cost base. It is however, clear that it will be considerably in excess of the £26.5m shown, due to a range of likely ongoing requirements and impacts, including TTP, Covid vaccination, ongoing direct impacts of Covid, and continuation of new interventions to maintain services during Covid and Winter. The above forecast will be updated as part of our detailed planning for 21/22.

3.5 Covid Position

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

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

	Q1	Q2	Q3	Q4	Total
Area of cost impact	£m	£m	£m	£m	£m
Pay	7.3	6.0	8.1	23.8	45.2
Non Pay and Income	9.4	11.4	12.3	12.5	45.7
Impact on savings delivery	4.1	2.2	2.2	1.7	10.1
Operational expenditure reductions	(4.7)	(2.0)	(4.3)	(3.9)	(15.1)
Slippage on planned investments/repurposing of development funding	(1.3)	(0.9)	(0.6)	(0.8)	(3.6)
Sub total	14.8	16.6	17.7	33.3	82.3
WG funding	(10.3)	(21.1)	(17.7)	(63.3)	(112.3)
Total	4.5	(4.5)	(0)	(30.0)	(30.0)

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



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Cwm Taf Morgannwg
University Health Board

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total YTD	Forecast year-end position	Mth 8 F/Cast	Change from Mth 8
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Vale Field Hospital	1,536	183	191	458	0	(754)	2	0	335	100	0	0	1,951	2,051	1,951	100
Bridgend Field Hospital	951	984	350	(43)	36	667	1,561	328	565	885	761	1,359	5,399	8,403	8,067	336
Marsh House Nursing Home	47	140	78	138	51	(31)	19	56	22	22	22	22	520	586	586	0
Abergarw Nursing Home	55	138	112	197	56	(17)	43	2	0	0	0	0	586	586	586	0
Internal Capacity	71	79	134	114	51	111	71	451	(173)	61	61	61	909	1,093	1,927	(834)
Operational Expend. Reduction	(726)	(1,816)	(2,211)	(1,347)	(1,089)	393	(837)	(1,069)	(2,442)	(1,316)	(1,316)	(1,316)	(11,143)	(15,091)	(10,151)	(4,940)
Private Patient Income	160	244	149	213	181	190	25	189	109	163	163	163	1,460	1,949	2,023	(74)
PPE	96	131	188	208	243	33	233	374	2,432	709	708	708	3,938	6,063	2,838	3,225
Med Staff	380	347	717	329	(35)	207	(393)	727	(526)	(4)	(4)	(4)	1,753	1,741	3,083	(1,342)
Free Food	225	230	(207)	0	0	0	0	0	0	0	0	0	248	248	248	0
Essential Services Backlog	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CHC	0	0	0	0	0	3,400	0	0	0	0	0	0	3,400	3,400	3,400	0
Staff Welfare	3	3	3	3	3	3	3	3	3	3	3	3	27	36	36	0
PC Prescribing	0	0	1,371	1,772	549	260	473	585	988	450	450	474	5,998	7,372	7,113	259
Primary Care	339	247	585	678	152	478	434	298	419	428	426	539	3,630	5,023	4,521	502
Flu Expansion	0	0	0	0	0	0	0	350	(115)	260	205	0	235	700	700	0
IT	40	60	61	(106)	171	80	62	122	135	101	4	4	625	734	632	102
Project Management	0	41	27	21	0	0	0	0	0	0	0	0	89	89	89	0
Antigen testing	0	61	60	209	338	205	256	434	500	258	321	353	2,063	2,995	3,088	(93)
AntiB testing	0	0	0	0	348	68	(40)	75	29	58	65	65	480	667	672	(5)
Hospital Based Testing	0	77	153	141	159	63	40	86	95	134	134	134	814	1,216	1,257	(41)
Contact Tracing	0	0	0	0	0	311	564	498	363	1,158	914	984	1,736	4,792	4,694	99
Mass Vaccination	0	0	0	0	0	0	0	32	317	585	615	620	349	2,169	2,169	0
Excess Deaths	30	0	15	15	23	11	11	0	9	0	0	0	114	114	105	9
Students	0	815	893	1,002	543	418	222	138	83	0	0	0	4,114	4,114	4,031	83
HCSW FT Recruitment	0	0	0	216	223	(92)	203	111	186	100	100	100	847	1,147	1,621	(474)
Private Hospitals	0	0	0	0	0	0	0	0	0	200	200	200	0	600	1,500	(900)
Other	1,535	2,195	454	1,210	667	1,206	2,244	1,306	2,486	1,469	1,469	16,769	13,304	33,010	21,072	11,938
SUBTOTAL	4,742	4,161	3,123	5,428	2,669	7,210	5,196	5,096	5,820	5,823	5,301	21,237	43,446	75,806	67,857	7,949
Undelivered Savings	1,554	1,901	600	792	563	801	523	910	764	590	615	477	8,408	10,090	10,392	(302)
Slippage/Repurposing	(273)	(269)	(752)	(318)	403	(981)	(91)	(319)	(188)	(254)	(254)	(257)	(2,788)	(3,553)	(3,399)	(154)
WG COVID Funding			(10,289)	0	(794)	(20,270)	(5,628)	(5,687)	(6,396)	(6,159)	(5,662)	(51,460)	(49,064)	(112,345)	(98,012)	(14,334)
TOTAL	6,023	5,793	(7,318)	5,902	2,841	(13,240)	0	0	0	0	0	(30,003)	1	(30,002)	(23,162)	(6,840)

Further information on the key areas of additional costs and the movements from the M8 forecast are summarised below:

Field hospitals and nursing homes (£11.6m) - The M9 forecast of £11.6m has increased by £446k from M8:

	M9	M8
	£m	£m
Field hospitals – set up costs	5.7	5.4
Field hospitals – decommissioning costs	0.7	0.4
Running costs	2.4	2.4
Estimated additional staffing costs to open up extra beds for a second peak	2.8	3.0
Total	11.6	11.2

TTP (Track, Trace & protect including Antigen and Antibody testing (£9.7m)) - The M9 forecast of £9.7m remains unchanged from M8.

The additional Local Authority costs associated with Whole Community Testing in Merthyr and Lower Cynon Valley are anticipated to be reported directly by the LAs via the Hardship fund.

Use of the Vale and Cardiff Bay Nuffield Facilities (£1.5m) – The latest forecast assumes a cost of £0.6m for the period Jan to March 2021(M8:£1.5m). The reduction in the forecast in M9 reflects a revised run rate of spend in recent months.

Primary Care Prescribing (£7.4m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost impact	£m	£m	£m	£m	£m	£m
Primary care prescribing	1.4	2.5	2.0	1.5	7.4	7.1

The latest projection of £7.4m assumes a further reduction in the rate of over spend in Months 9-12. Given the large degree of uncertainty as regards the ongoing impact, there is still a margin of error around this estimate and this has been reflected in the Risk table at Section 3.8.

Additional costs in Primary Care (£5.0m) plus extended Flu programme (£0.7m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost impact	£m	£m	£m	£m	£m	£m
Loss of dental patient charge income	1.5	1.4	1.0	1.2	5.1	3.8
Reduced dental contract payments	(1.1)	(0.5)	(0.4)	(0.5)	(2.4)	(1.6)
Dental sub total	0.4	0.9	0.6	0.7	2.7	2.2
Investment in Clusters	0.4	0	0.5	0.6	1.5	1.5
Other (including GP Hub and Enhanced services)	0.4	0.4	0	0	0.8	0.8
Estimated costs of extending Flu to 50+ age group	0	0	0.2	0.5	0.7	0.7
Total	1.2	1.3	2.4	2.1	5.7	5.2

Dental practices with NHS contracts have received 80% of their annual contract values for Q1 and 90% for Q2 & Q3. Our forecast assumption is that payments will remain at 90% for Q4. The Dental forecast has moved by £0.5m in M9, being £0.8m improvement in dental contract payments moving from 100% payment to 90% payment for Q3 & Q4 offset by £1.3m deterioration in the dental patient charge income which was initially assumed to improve in Q3 & Q4.

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



PPE (£6.1m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost impact	£m	£m	£m	£m	£m	£m
PPE	0.4	0.5	3.0	2.1	6.1	2.8

The M9 forecast of £6.1m has increased by £3.3m from M8. A comprehensive review of PPE expenditure in 20/21 compared to the same period in 19/20 was undertaken in M9 and this review identified a significant increase in the amount of PPE being purchased in Q3. The forecast assumes that this higher level of expenditure will continue into Q4.

Medical Staff (£1.7m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost impact	£m	£m	£m	£m	£m	£m
Medical staffing	1.4	0.5	(0.2)	0	1.7	3.1

The M9 forecast of £1.7m has reduced by £1.4m from M8. The anticipated increase in Medical Staff costs that was experienced in Q1 and Q2 did not materialise in Q3 and the Q4 forecast has been reduced accordingly.

These costs include the impact of new Welsh Government guidance (relating to consultants, SAS, doctors and junior medical staff) on claims for additional medical staff hours. A breakdown of the actual costs to M9 is provided below:

	Q1	Q2	Q3	M9 YTD
	£k	£k	£k	£k
Bridgend ILG	713	468	253	1,438
Merthyr & Cynon ILG	534	137	(26)	645

Rhondda & Taf ILG	198	38	10	246
Other	0	(142)	(429)	(571)
Total	1,445	500	(193)	1,753

The Q3 Other underspend of £429k is being reviewed in M10 to check that the reporting between Covid and Non Covid is correct.

Internal capacity (£1.1m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost impact	£m	£m	£m	£m	£m	£m
Internal capacity	0.3	0.3	0.3	0.2	1.1	1.9

The M9 forecast of £1.1m has reduced by £0.8m from M8. The anticipated increase in staff costs did not materialise in Q3 and the Q4 forecast has been reduced accordingly.

Continuing Healthcare (£3.4m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost impact	£m	£m	£m	£m	£m	£m
CHC	0	3.4	0	0	3.4	3.4

The M9 forecast of £3.4m remains unchanged. The latest forecast assumes that the CHC allocation received to date of £3.4m is sufficient for the full year impact of supporting providers in 2020/21. Further work is being undertaken with our providers to ensure all payments are processed as soon as possible.



Students (£4.1m) and HCSWs (£1.1m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost impact	£m	£m	£m	£m	£m	£m
Students	1.7	2.0	0.4	0	4.1	4.1
HCSW's Fixed Term recruitment	0	0.3	0.5	0.3	1.1	1.6
Total	1.7	2.3	0.9	0.7	5.2	5.6

The M9 forecast for Students remains unchanged at £4.1m and the forecast for fixed term HCSWs of £1.1m has reduced by £0.5m from M8. Progress is being made on extending the existing fixed term HCSW posts which were approaching the end of their contracts but the anticipated expansion of new posts did not materialise in Q3.

Other reactive costs including ward nursing (£31.6m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost impact	£m	£m	£m	£m	£m	£m
Estimated impact of increased annual leave being carried forward at the end of 20/21	0	0		15.4	15.4	5.0
Other reactive costs	4.2	3.1	6.0	4.3	17.6	16.1
Total	4.2	3.1	6.0	18.3	33.0	21.1

The Q4 forecast increased by £11.9m during M9, with £10.4m to recognise an increase in the estimated impact of annual leave being carried forward at the end of 20/21, together with a further £1.5m Urgent Emergency Care Funding which has been reported

as COVID expenditure in M9 at the request of WG. Please see comments on the increased annual leave provision in Section 3.4 above.

A breakdown of the M9 YTD Other reactive costs is provided below:

	BG	MC	RT	Other	Total
	M9 YTD	M9 YTD	M9 YTD	M9 YTD	M9 YTD
	£k	£k	£k	£k	£k
Registered nursing	3,221	817	850	428	5,316
Add Clinical services	380	759	878	440	2,457
A&C	191	6	34	402	633
Other pay	282	269	248	320	1,119
Non pay & income	375	695	365	2,253	3,668
Total	4,449	2,546	2,375	3,934	13,304

The Non pay & income expenditure within 'Other' of £2,253k includes:

- Laundry Services - £608k
- M&S Consumables - £729k
- Transport - £266k
- Loss of SLA Income - £170k



Operational expenditure decreases (£15.1m)

	Q1	Q2	Q3	Q4	Total M9	Total M8
Area of cost benefit	£m	£m	£m	£m	£m	£m
Operational expenditure reductions due to reduced elective activity	(4.8)	(2.0)	(4.3)	(4.0)	(15.1)	(10.2)

The M9 forecast of £15.1m has increased by £4.9m from M8. The levels of operational expenditure reductions increased in Q3 and this is now expected to continue at a similar level in Q4. This is partly as a result of identifying the increased PPE expenditure previously netted off other non pay reductions and partly as a result of service provision remaining limited to urgent and essential services only. A breakdown of the M9 YTD costs is provided below:

	Q1	Q2	Q3	M9 YTD
	£k	£k	£k	£k
Bridgend ILG	(1,142)	(967)	(2,071)	(4,180)
Merthyr & Cynon ILG	(948)	(574)	(310)	(1,832)
Rhondda & Taf ILG	(931)	(950)	(1,194)	(3,075)
Medicines Mgt	(1,531)	412	(329)	(1,448)
Contracting & Commissioning	(200)	36	(444)	(608)
Total	(4,752)	(2,043)	(4,348)	(11,143)

The Medicine Mgt under spend of £1.4m includes reductions in NICE expenditure and other drugs/vaccines expenditure.

Impact on delivery of efficiency savings

The original split of the annual savings target of £20.6m was £19.0m Delegated and £1.6m Non Delegated. For 2020/21 this split has now been changed to £16.4m Delegated and £4.2m Non delegated so that the Pre Covid savings gap of £4.2m is now all shown as Non Delegated and is this is being shown as non-Covid variance. The M9 YTD and forecast savings are summarised below.

	Month 9			Month 8		
	YTD	20/21	Recurring	YTD	20/21	Recurring
	£m	£m	£m	£m	£m	£m
Delegated Savings targets	12.2	16.3	19	10.8	16.3	19
Forecast Savings – excluding Red schemes	(3.9)	(6.2)	(6.5)	(3.2)	(5.9)	(7.4)
Forecast shortfall	8.3	10.1	12.5	7.6	10.4	11.6
Non Delegated Savings target	3.2	4.3	1.6	2.9	4.3	1.6
Total	11.6	14.4	14.1	10.5	14.7	13.2

- Actual savings in M9 was £0.7m (M8: £0.4m) and the M9 YTD savings is now £3.9m (M8: £3.2m)
- Forecast In year savings has increased by £0.3m in M9 and forecast recurrent savings has reduced by £0.9m.
- The latest risk assessment on the £0.86m Amber schemes within the total forecast in year savings of £6.2m is £0.2m.
- The forecast recurrent savings gap of £14.1m has been reflected in the forecast recurrent position (See Section 3.4 above).

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

Slippage on planned investments/repurposing of development funding

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



	M9	M8
	£m	£m
Transformation allocation for Covid -19	1.3	1.3
Cluster funding for 20-21 (the inclusion of this funding has also seen a corresponding increase in Covid related costs)	1.5	1.5
Mental Health funding for 20/21	1.0	1.0
Other	0	0
WHSSC Investment Slippage	1.5	1.3
Sub total	5.3	5.1
Reclassified as WG income in M5:		
Transformation allocation for Covid -19	(1.3)	(1.3)
Mental Health funding for 20/21	(0.5)	(0.5)
Total	3.5	3.3

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

3.6 Savings Performance by Area

An analysis of the forecast savings (In year £6.2m and recurring £6.5m) by area is provided below.



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Cwm Taf Morgannwg
University Health Board

Area	In year Savings Target £000	Green	Amber	Red	Current In Year Forecast	% of Current Year Forecast to Target
Bridgend ILG	3,287	287	42		328	10.0%
Merthyr & Cynon ILG	4,001	1,020	39		1,059	26.5%
Rhondda & Taf ILG	3,601	810	355		1,165	32.3%
Medicines Management	2,903	1,781			1,781	61.4%
Primary Care	306	1			1	0.5%
Contracting & Commissioning	784	588			588	75.0%
Corporate Directorates	1,401	845	425		1,270	90.7%
Sub Total	16,282	5,332	861	-	6,193	38.03%
Covid Non Recurrent		7,229			7,229	
Grand Total	16,282	12,561	861	-	13,422	82.43%
Area	Recurrent Savings Target £000	Green	Amber	Red	Forecast recurrent savings	% of Forecast recurrent savings to Target
Bridgend ILG	4,521	501	157		658	14.6%
Merthyr & Cynon ILG	4,605	961	82		1,043	22.6%
Rhondda & Taf ILG	4,138	1,169	585		1,755	42.4%
Medicines Management	2,903	1,629			1,629	56.1%
Primary Care	306				0	0.0%
Contracting & Commissioning	899	600			600	66.8%
Corporate Directorates	1,600	655	158		813	50.8%
Grand Total	18,970	5,515	982	-	6,497	34.25%

3.7 Non Delegated budgets

The key reasons for the Month 9 and Month 9 YTD overspends are as follows:

	M9	M9 YTD	M8	M8 YTD
	£k	£k	£k	£k
Shortfall v CRES target of £4.2m	360	3,239	360	2,879
Shortfall v non recurrent slippage/Non pay expenditure reduction targets of £4m	321	2,888	321	2,567
Provision for additional costs not included in the Delegated position.	0	0	(1,065)	0
Other variances	1,752	(4,286)	(206)	(6,036)
Total	2,433	1,841	(590)	(590)

The planned return of funding to WG has been increased to £19.8m in M9. The variance against non-delegated budgets has been adjusted to reflect this assumption and this change is the main reason for the M9 overspend against non-delegated budgets of £2.4m.

3.8 Key Risks and Opportunities

The key financial risks and opportunities for 20/21 are summarised below (excluding the PYA risk which is covered in Section 3.4 above):

	Month 9		Month 8	
	Opps	Risk	Opps	Risk
	£m	£m	£m	£m
Prior year adjustment – see comment above	0	0	0	0
Slippage in delivery of Q3/Q4 plan (e.g Winter plans £6.7m, NR spend plans £7.8m)	(1.5)		(3.0)	
Changes to the Balance sheet assumptions in the Q3/Q4 Plan	TBC		TBC	
Potential variation in the estimated 'pass through' costs for PPE, TTP, Mass vaccinations, Flu, Field hospitals , CHC .	(2.0)	2.0	(3.0)	3.0
Matched by corresponding adjustment to assumed WG funding	2.0	(2.0)	3.0	(3.0)
Whole Community testing in Merthyr		0		TBC
Potential movement in estimated Annual leave provision at 31 March 21	(2.0)	2.0	0	0
Other individual items:				
Securing the full allocation for Prevention funding that was received in 19/20.		0.2		1.0
Total	(3.5)	2.2	(3.0)	1.0

4. IMPACT ASSESSMENT

Quality/Safety/Patient Experience implications	There are no specific quality and safety implications related to the activity outlined 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

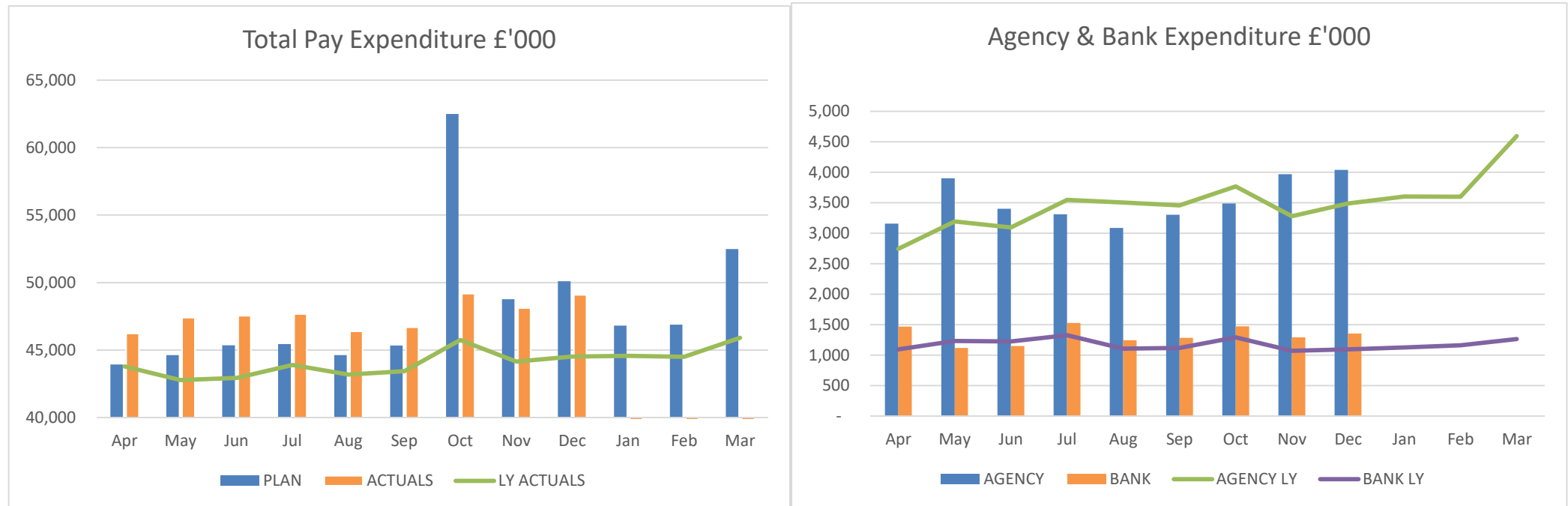
The Health BOARD is asked to:

- **DISCUSS** the contents of the Month 9 Finance report for 2020/21.



APPENDIX A

TREND ANALYSIS – TOTAL PAY

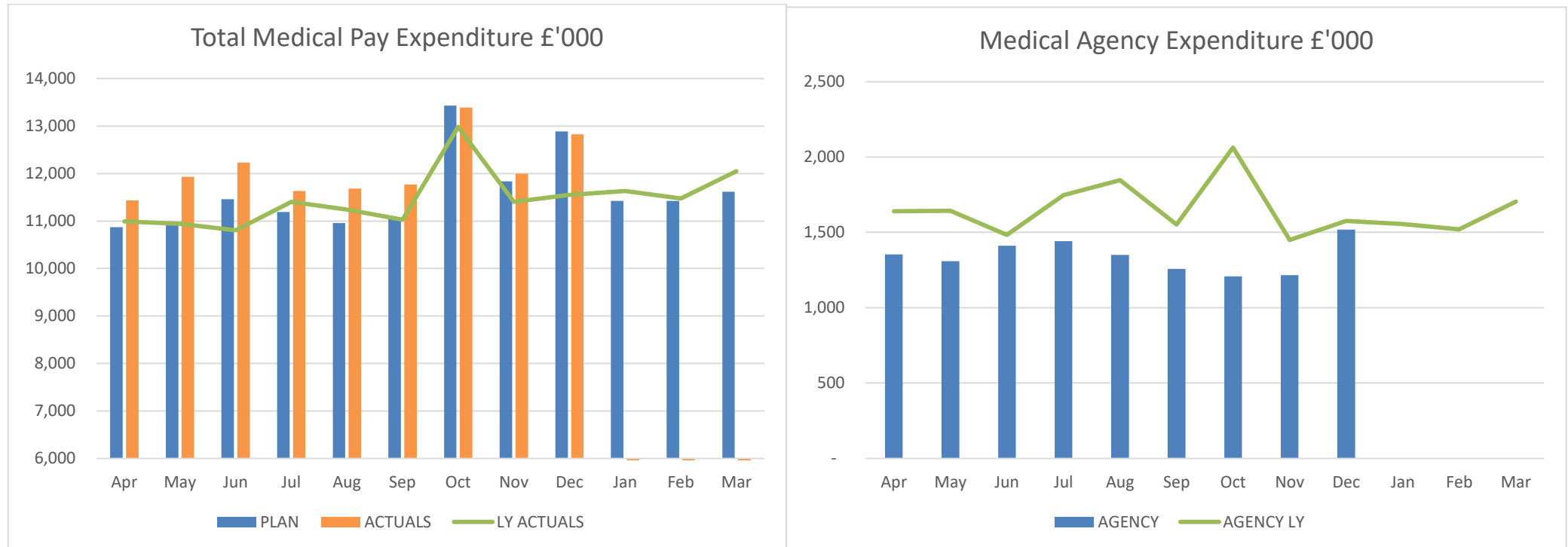


During M7, additional funding was allocated to Delegated budgets to meet the forecast overspends in the Q3/Q4 Plan plus additional funding for winter plans and various other Covid related costs. This resulted in a £13.3m pay surplus in M7.



APPENDIX B

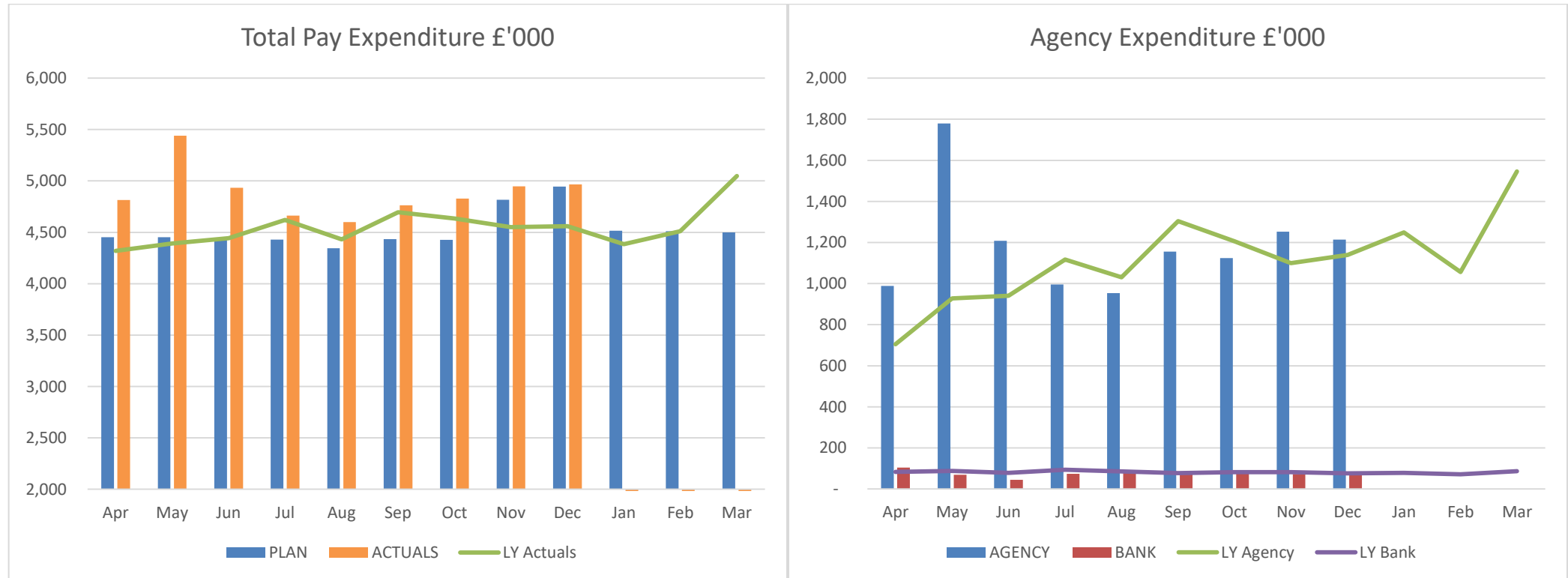
TREND ANALYSIS – MEDICAL PAY





APPENDIX C

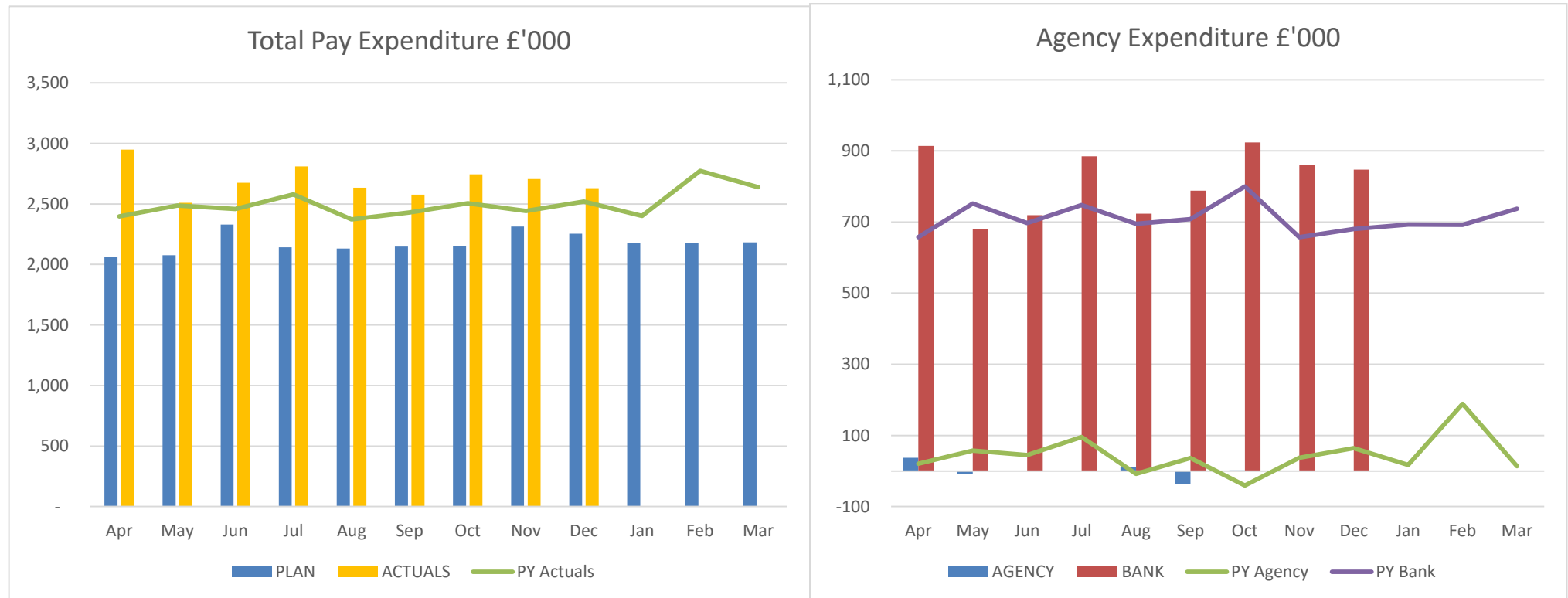
TREND ANALYSIS – REGISTERED NURSING (WARDS and A&E)





APPENDIX D

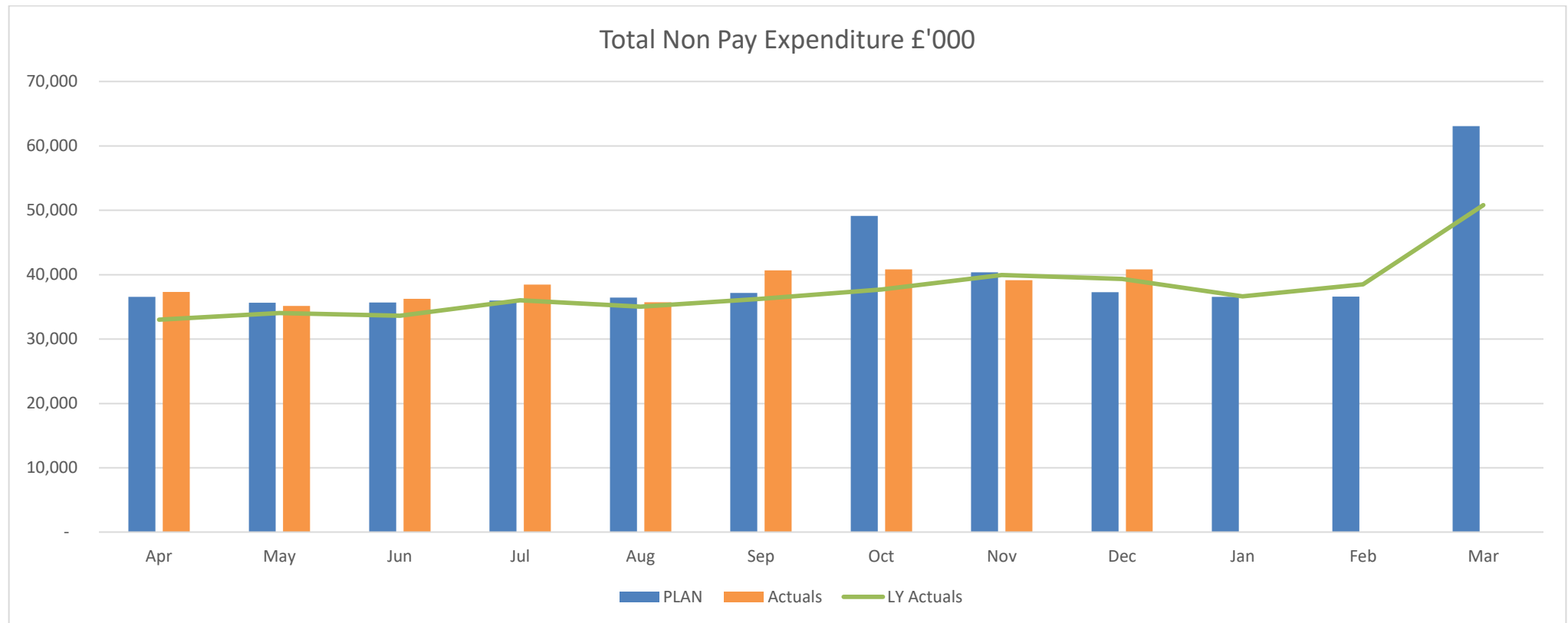
TREND ANALYSIS – ADDITIONAL CLINICAL SERVICES (WARDS and A&E)





APPENDIX E

TREND ANALYSIS – NON PAY



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

APPENDIX F

WELSH GOVERNMENT ALLOCATIONS

	Annual Budget
	£k
Confirmed funding	1,150,034
Unconfirmed funding	58,264
TOTAL	1,208,298

Key Issues

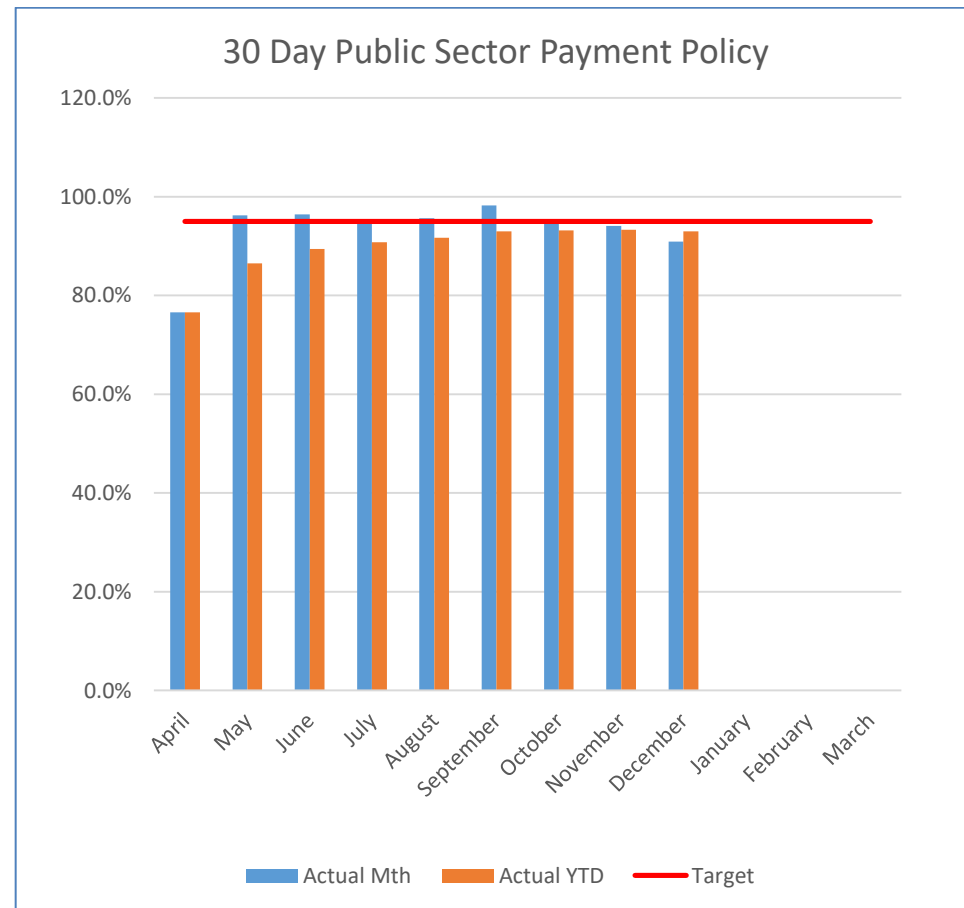
The most significant anticipated allocations include:

- Depreciation/Impairments £30.8m
- Transformation Fund - £6.7m
- Substance Misuse - £3.5m
- A Healthier Wales - £1.2m
- I2S – (£1.9m)
- Ring fenced COVID items- £35.2m (including Annual Leave carried forward £15.4m)
- Anticipated return of allocation to WG – (£19.8m)
- Partnerships - £1.5m

APPENDIX G

Public Sector Prompt Payment (PSPP) Performance

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



Key Issues:

- The percentage for the number of non-NHS invoices paid within the 30 day target for December was 90.9%, with a cumulative percentage of 93.0%.
- The main contributory factor to the low percentage in December was that 757 Nurse Bank invoices were paid outside the 30 day payment period accounting for 4.3% of the number of non NHS invoices paid.
- For the month of April the percentage was only 76.6%. This was in part due to COVID supplier relief arrangements which allowed 1029 queried invoices to be released which accounted for 5.5%.
- As a consequence of the low percentage performance in April, there is a high risk that the Health Board may not achieve the 95% target for 20/21. The forecast percentage for Month 12 is 93.1%.



APPENDIX H

Balance Sheet

Balance Sheet	Opening Balance (01/04/2020) £'000	Closing Balance as at M9 £'000	Forecast Closing Balance M12 £'000
Non Current Assets			
Property, Plant & Equipment	532,624	541,884	532,624
Intangible Assets	3,631	3,631	3,631
Trade and Other Receivables	50,069	50,069	50,069
Total Non-Current Assets	586,324	595,584	586,324
Current Assets			
Inventories	6,071	6,227	6,071
Trade and Other Receivables	101,242	140,562	111,242
Cash and Cash Equivalents	376	2,895	13,282
Total Current Assets	107,689	149,684	130,595
Current Liabilities			
Trade and Other Payables	133,114	156,052	152,110
Provisions	38,844	58,862	53,844
Total Current Liabilities	171,958	214,914	205,954
Non-Current Liabilities			
Trade and Other Payables	1,307	1,307	1,307
Provisions	56,259	56,259	56,259
Total Non-Current Liabilities	57,566	57,566	57,566
TOTAL ASSETS EMPLOYED	464,489	472,788	453,399
Financed By:			
General Fund	416,325	424,624	405,235
Revaluation Reserve	48,164	48,164	48,164
TOTAL	464,489	472,788	453,399

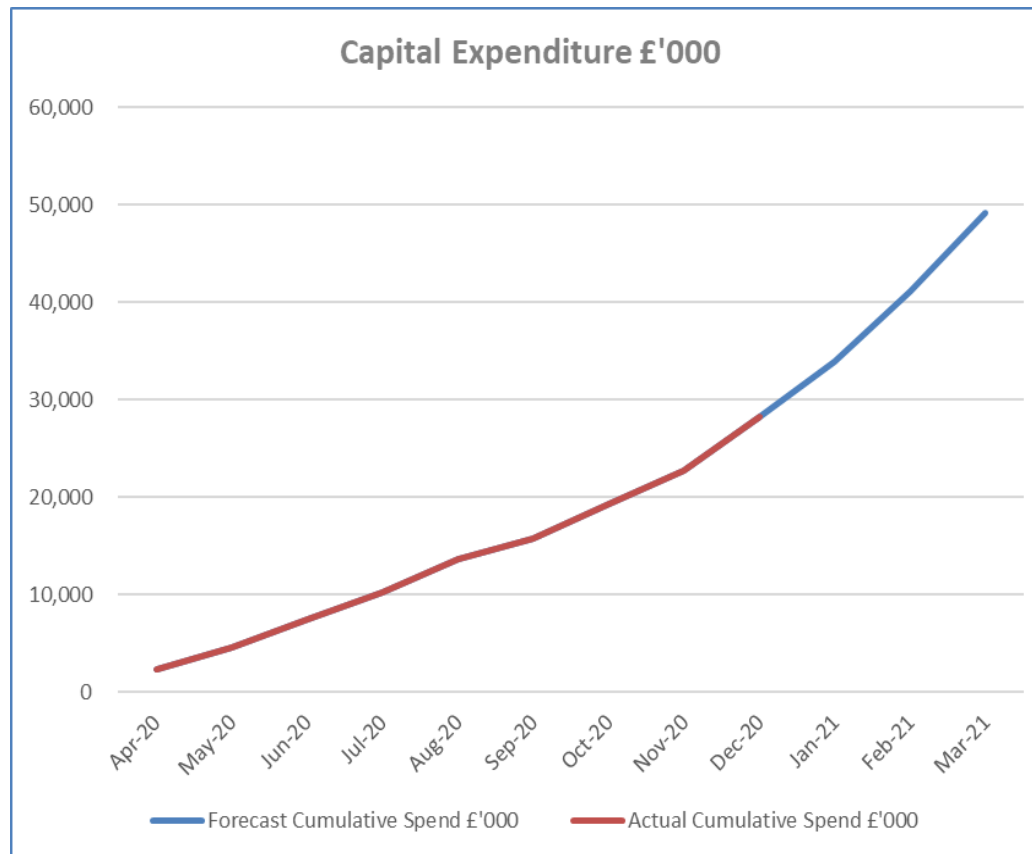
Key Issues:

- The closing cash balance for M9 was £2.9m.
- Receivables have increased by £39m to M9, which relates mainly to the movement in WRP debtors of £20m.
- Payables increased by £33m to M9. This includes a M9 creditor of £11.5m with RCT LA relating to the Regional Pooled fund and an increase the Pension/HMRC creditor of £15m. This had been part paid in Month 12 2019-20.
- The increase in provisions to M9 of £20m relate to Clinical Negligence with the corresponding increase in WRP Debtors.



APPENDIX I

Performance against Capital Resource Limit



Key Issues:

- The current Capital Resource Limit of £44.4m was issued on the 8th January 2021.
- In addition, the Health Board is anticipating a further £4.5m of additional funding relating to the impact of COVID 19.
- This is supplemented by £0.3m of donated funds giving an overall programme of £49.5m.
- Expenditure to date is £28.3m.
- The current forecast capital position is breakeven assuming all anticipated funding is received.



APPENDIX J

Cash position

Cashflow	Actual/Forecast						
	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £'000	Total £'000
Receipts							
WG Revenue Funding	(12,369)	82,276	105,543	95,900	92,900	133,800	1,169,069
WG Capital Funding	0	4,500	4,400	4,700	5,450	7,954	48,854
Sale of Assets	4	0	17	0	0	0	49
Welsh NHS Org'ns	9,344	9,170	9,160	10,600	14,200	13,600	123,845
Other	1,784	1,827	3,175	1,500	1,500	2,300	32,918
Total Receipts	(1,237)	97,773	122,295	112,700	114,050	157,654	1,374,735
Payments							
Primary Care Services	24,364	6,714	27,912	9,019	17,240	18,280	203,138
Salaries and Wages	46,121	46,458	45,976	48,580	48,180	67,380	559,637
Non Pay Expenditure	33,455	40,621	42,579	52,400	42,700	52,233	549,148
Capital Payments	4,308	3,815	5,413	4,200	5,200	8,605	49,906
Other (Donated asset funding)	0	0	0	0	0	0	0
Total Payments	108,248	97,608	121,880	114,199	113,320	146,498	1,361,829
Net Cash In/Out	(109,485)	165	415	(1,499)	730	11,156	
Balance B/F	111,800	2,315	2,480	2,895	1,396	2,126	
Balance C/F	2,315	2,480	2,895	1,396	2,126	13,282	

Key Issues

- The M9 cash flow forecast is currently showing a forecast surplus of £13.3m in Month 12 (£14.3m Revenue and £(1.0)m Capital).
- The latest forecast excludes any cash implications associated with the planned return of funding to WG of £19.8m which is subject to the outcome of discussions with Audit Wales regarding a potential Prior Year adjustment.
- There is also uncertainty around the expected timing of the receipts outstanding for WRP debtors. The Revenue forecast includes an anticipated reimbursement of £5m in February and assumes that the cash for the remaining outstanding WRP debtors of approximately £27m will be received early 2020-21. The profile of these receipts are under regular review.