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Bwrdd Iechyd Prifysgol
Cwm Taf Morgannwg
University Health Board

AGENDA ITEM 4.6

31 July 2019

University Health Board Report

FINANCE UPDATE – MONTH 3 of 2019/20

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Purpose of the University Health Board Report

The purpose of the attached report is to highlight the key messages in relation to the Month 3 financial position.

Governance

Link to Health Board Strategic Objective(s)

The Board’s overarching role is to ensure its strategic objectives, and the related organisational objectives outlined within the 3 Year Integrated Medium Term Plan 2019-2022, are being progressed. Aligned with the ‘Quadruple Aim’ described within ‘A Healthier Wales’ (Welsh Government, June 2018) these objectives are:

- To **improve** quality, safety and patient experience.
- To **protect** and **improve** population health.
- To **ensure** that the services provided are accessible and sustainable into the future.
- To **provide** strong governance and assurance.
- To **ensure** good value based care and treatment for our patients in line with the resources made available to the Health Board.

This report focuses mainly on ensuring good value based care and treatment for our patients in line with the resources made available to the Health Board.

Supporting evidence

N/A

Engagement – Who has been involved in this work?

The Month 3 position and forecast year end position for the Health Board has been shared with Welsh Government (WG) via our monthly Monitoring return submissions.

Health Board Resolution To;							
APPROVE		ENDORSE		DISCUSS	✓	NOTE	
Recommendation		The Health Board is asked to: <ul style="list-style-type: none"> • DISCUSS the contents of the Month 3 Finance report for 2019/20. 					
Summarise the Impact of the Health Board Report							
Equality and diversity		N/A					
Legal implications		No direct legal implications.					
Population Health		N/A.					
Quality, Safety & Patient Experience		N/A					
Resources		The paper is directly relevant to the allocation and utilisation of resources.					
Risks and Assurance		The key risks to the 2019/20 Financial Plan are explained in the forecast section of the report.					
Health & Care Standards		N/A					
Workforce		N/A					
Freedom of information status		Open					

Glossary of Terms

Acronym	Meaning	Acronym	Meaning
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 3 of 2019/20

1. **SITUATION / PURPOSE OF REPORT**

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 3 (M3).

2. **BACKGROUND / INTRODUCTION**

This report should be read in the context of the CTM Integrated Medium Term Plan (IMTP) for 2019/20 to 2021/22 which is available on the website. The annual budget for the new organisation is circa £1,000m.

The IMTP was approved by the Board on 28 February and was approved by the Welsh government on 26 March 2019. The following key issues are highlighted in relation to the financial plan for 2019/20:

a. Bridgend boundary change

One of the key assumptions within the IMTP is that the Bridgend boundary change should not destabilise the financial balance and performance record of the former Cwm Taf Health Board. The IMTP therefore assumes that the impact of any deficit attributed to Bridgend will be neutral to the new organisation. Our assessment of the financial impact on CTM is a recurring deficit (after economies of scale) of £7.4m. Further information has recently been shared with Welsh Government (WG) as part of the due diligence/arbitration process. In the meantime, detailed budgets have been set on this basis and the financial plan has been updated to include assumed funding for the £7.4m recurring deficit transferred. The outcome of the arbitration process is expected shortly.

b. Performance and RTT targets

Our recent work on the financial impact assessment of the Bridgend boundary change has also highlighted that Bridgend has been running waiting list initiatives (WLI's) throughout 2018/19 at an annualised cost of c £1.8m, which was supplemented with outsourcing towards the end of the financial year.

The WLI's had the effect of broadly holding the RTT backlog constant overall and were essentially a non-recurrent measure for meeting a recurrent requirement. Therefore, in reality the recurrent requirement to spend, based on current demand, productivity and core capacity, is around £2m greater than what was reflected in the financial impact assessment noted above of £7.4m. There is also an RTT backlog at the end of 2018/19, which CTM estimated has a non- recurring cost in the region of £4.2m to clear. The Health Board submitted a £8.7m bid to WG to address the performance issues across CTM which is summarised below:

	Former CT	Bridgend
	£m	£m
Forecast total costs	6.6	6.2
Internal funding sources within the IMTP	(3.1)	(1.0)
Net bid	3.5	5.2

On 27 June WG confirmed a Non recurrent allocation of £7.0m for 2019/20 which is expected to deliver:

- no one waiting over 36 weeks, 8 weeks for diagnostics and 14 weeks for therapy services for the old Cwm Taf footprint; and;
- improvement in the number of people waiting over 36 weeks at the Princess of Wales site, as well as no one waiting over 8 weeks for diagnostics and 14 weeks for therapy services.

c. Savings targets

The financial plan for 2019/20 included a recurring savings target of £12.8m, comprising £9.6m existing Cwm Taf and £3.2m for Bridgend. We noted in our IMTP that the savings plan for Bridgend was reflected at a higher level than existing Cwm Taf and that the Bridgend savings plan needed to be developed alongside the work on the impact of the transfer. Due to the significant work over the past few months on the day 1 financial impact of the transfer and the ongoing work on detailed budget setting, the Bridgend savings plan is still being developed.

Following the identification of a number of other opportunities in M1 we have reduced the recurrent savings target by £1.0m and the in year target by £2.8m. A summary of the changes is provided below:

	In Year Savings target	Recurrent Savings target
	£m	£m
IMTP savings targets	12.8	12.8
Funding source:		
Reduction in assumed cost pressures for Incremental drift and Medical agency inflation. Original plan = £1.4m	(1.0)	(1.0)
Increase in assumed opportunities for Other non-recurring expenditure reductions. Original plan = £2.7m	(1.8)	0
Revised savings targets	10.0	11.8

d. Financial Plan update 2019/20

Subsequent to the financial plan being approved by the Board on 28 February, there have been a number of changes in the position of the Health Board which has necessitated the plan being reviewed and updated. The key changes were discussed at the Health Board development session on 27 June and a full report is going to the next Board meeting on 31 July.

The net impact of these changes does not change the break -even plan for 2019/20. However, it is important to highlight that the recurring position changes from a planned £0.6m surplus to a planned £3.5m deficit. This deterioration is attributed to the following items:

- Recurrent investment in management structures, including clinical leadership, nursing leadership and increased governance and quality improvement capacity £2m.
- Unplanned recurrent deficit associated with the Bridgend boundary change £0.7m
- Planned care recurrent deficit in Bridgend £1.4m

These changes (which included the changes to the savings targets in (c) above) have been reflected in the M3 Financial position of the Health Board.

Report Sections

The following sections are included in this report:

Section No.	Section	Page Number
Headline Messages		
3.1	Headline Messages @ Month 3	7
Summary Analysis		
3.2	Financial Performance and Key Targets	10
3.3	Revenue Performance by Expenditure Category	11
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3. ASSESSMENT / GOVERNANCE AND RISK ISSUES

3.1 Headline Messages - Month 3

The M3 Income and Expenditure position remains close to budget with a small overspend of only £35k in month giving rise to a year to date overspend of £140k. This year to date overspend includes a delegated overspend of £4.6m offset by an under spend on non-delegated budgets of £4.5m. The delegated overspend includes a shortfall in savings delivery of £3.2m plus other overspends on pay, non-pay and income of £1.4m. Further details are provided in Sections 3.3 and 3.9.

We have reported a forecast break even position to WG at M3 together with a forecast recurrent deficit going into 2021/22 of £3.5m. This is in line with the updated financial plan for 2019/20 (See Section 2(d)).

Within this overall positive position there are a number of areas of concern. The key issues are summarised below with further information in Sections 3.3 and 3.4 and the more detailed analysis in Sections 3.5 to 3.10.

a. Bridgend boundary change

As noted in Section 2 the financial plan has been updated to include assumed funding for the £7.4m recurring deficit transferred to CTM. Any shortfall against this assumed level of funding will therefore represent a risk to the financial plan. The outcome of the arbitration process is expected shortly.

b. Savings delivery (Section 3.8)

The Delegated savings target of £16.3m represents a M3 target of £4.1m. Only £0.95m of savings have been reported to M3 resulting in an adverse variance against plan of £3.2m. This variance reduces to £1.6m after allowing for the Savings contingency which is being released on a straight line basis. The forecast savings as at M3 is summarised below.

	19/20	19/20 Recurring
	£m	£m
Revised savings targets	10.0	11.8
Forecast savings at M3	8.2	8.8
Forecast shortfall	1.8	3

As noted in Section 2, the Bridgend savings plan is still being developed and urgent work is needed to finalise the detailed schemes for meeting the Bridgend targets (In Year £2.4m and Recurring £3.2m).

The key actions being taken by the Health Board to address this concern are the CRES review meetings with Executive and Assistant Directors, and the continuing oversight of the Efficiency Performance and Value Board.

c. M3 Year to Date (YTD) Pay overspends- £1.7m

The main areas of concern are the £1.3m overspend in relation to Wards and Accident & Emergency (A&E) nursing and the £0.8m overspend in relation to Medical pay.

The Ward and A&E nursing overspend includes £1.2m for HCAs and £0.1m for Registered nurses. The Ward and A&E overspend spans the following areas:

- Acute Medicine- £697k
- POW - £535k
- Localities - £148k
- Surgery – (£79k)

It is important to note that these overspends are against 19/20 budgets, which for Acute Medicine and Localities include provision for 50% of the 18/19 overspends on non Nurse Staffing Act (NSA) wards which is in addition to their agreed establishments.

Further detailed work is needed to understand the reasons for these overspends at individual ward level.

The Medical pay overspend includes £0.57m in relation to Princes of Wales (POW) and £0.15m in relation to Obstetrics & Gynaecology (O&G).

The POW overspend includes a range of issues which include:

- Changes to Ear, Nose & Throat (ENT) rotas in February 2019 but not reflected in the financial impact assessment noted above of £7.4m. M3 YTD impact £175k.
- Other issues in Urology and Breast where the actual costs in Quarter 1 are greater than the budget transferred in the financial impact assessment. M3 YTD impact £88k
- Emergency Department (ED) Medical £80k due to increased fill rates in 19/20.
- Anaesthetics £153k due to increased agency costs in 19/20




Further work is being undertaken on these issues to agree any budget changes and the actions being taken to address the over-spends.

The O&G overspend is attributed to maintaining out of hours cover on two sites. Further detailed work is being undertaken to finalise the budget changes associated with the Paediatrics, Obstetrics & Neonates (PON) transfer which impacts the Contracting, POW, O&G and Children & Young People (CYP).

3.2 Financial Position and Key Targets – Month 3

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 small surplus of £39k and £18k for revenue and capital expenditure respectively. This means that the Health Board can overspend by £39k and £18k for revenue and capital expenditure respectively in 2019/20 and still meet its three year statutory duty. The Health Board’s plan for 2019/20 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 2019/20 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	35	140		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	0	0		0
Public Sector Payment Policy To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance	%	96.5%	95.8%		>95

3.3 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						
Pay	505,336	828	1,676			3.3
Non Pay	597,037	(268)	(339)			3.4
Income	(137,186)	(39)	85			3.5
Delegated Savings Plans	(14,616)	891	3,178			3.6
Total Delegated Budgets	950,571	1,413	4,600			
Non Delegated Budgets	69,476	(1,378)	(4,460)			3.7
WG Allocations	(1,020,047)	0	0			3.8
GRAND TOTAL M3	0	35	140	0	3,500	
GRAND TOTAL M2	0	54	105	0	0	

Divisions will be providing details of their current year forecasts and recurrent forecasts as part of their M3 Finance packs. This information will be included in the M4 Finance report.

Current Month & Year to Date

- The M3 Income and Expenditure position remains very close to budget with a small YTD overspend of only £140k. This includes a delegated overspend of £4.6m offset by an under spend on non-delegated budgets of £4.5m. The delegated overspend includes a shortfall in savings delivery of £3.2m plus other overspends on pay, non-pay and income of £1.2m.
- The most significant overspends within the total Pay overspend of £1,676k are as follows:
 - Acute Medicine and A&E £389k (Additional clinical services £424k)
 - Obstetrics, Gynaecology and Sexual Health £254k (Medical £153k, Additional clinical services £82k and Registered Nursing £26k)
 - POW Delivery Unit £811k (Medical £570k, Additional clinical services £398k)
 - Pathology £118k (Medical £74k and Healthcare Scientists £65k)
 - Localities £176k (Additional clinical services - £238k Community Hospitals and £40k District Nursing teams)
 - Primary care £114k (Medical £104k, including £23k managed practices and £78k GP Out of Hours (OOH))
 - Information, Communication & Technology (ICT) £165k (ongoing Welsh Community Care Information Systems (WCCIS) costs plus £106k agency costs) – Some of these costs need to be capitalised which will improve the position in M4.
- The most significant overspends within the total Non Pay underspend of £339k are as follows:
 - Acute Medicine and A&E £117k (Drugs £157k)- Additional budget being released in M4 will improve this position
 - Pathology £212k (Drugs £92k and Service Level Agreements (SLAs) £68k) - Additional budget being released in M4 will improve this position
 - Radiology £86k (Out of hours reporting £69k and equipment maintenance £45k)
 - Mental Health £218k (Continuing Healthcare £251k but offset by positive income variance of £271k)
- The most significant overspends within the total Income overspend of £85k are as follows:
 - Contracting & Commissioning £90k - includes £187k injury cost recovery scheme.
 - Child & Adolescent Mental Health Services (CAMHs) £241k - underperformance against Welsh Health Specialised Services Committee (WHSSC) & Swansea Bay Long Term Agreement (LTA) activity
- Further information on the Non delegated underspend of £4.5m is provided in Section 3.9.

3.4 Revenue Performance by Division

	Over/(Under) Spend				
	Annual Budget £'000	Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000
Chief Operating Officer:					
Unscheduled Care	82,135	176	796		
Planned Care	108,448	4	1,045		
POW Delivery Unit	99,542	499	1,195		
Clinical Support	57,085	(34)	464		
Facilities	36,837	102	323		
Total COO	384,047	747	3,823		
PCMH:					
Primary & Community	205,413	304	922		
Mental Health	75,158	(44)	1		
Medicines Management	129,592	(45)	30		
Total PCMH	410,163	216	954		
Contracting & Commissioning	91,053	82	(29)		
Corporate Functions	65,309	367	(148)		
Total Delegated Budgets	950,571	1,413	4,600		
Non Delegated Budgets	70,305	(1,378)	(4,460)		
WG Allocations	(1,020,876)	0	0	0	0
GRAND TOTAL M3	0	35	140	0	3,500
GRAND TOTAL M2	0	54	105	0	0

Current Month and Year To Date

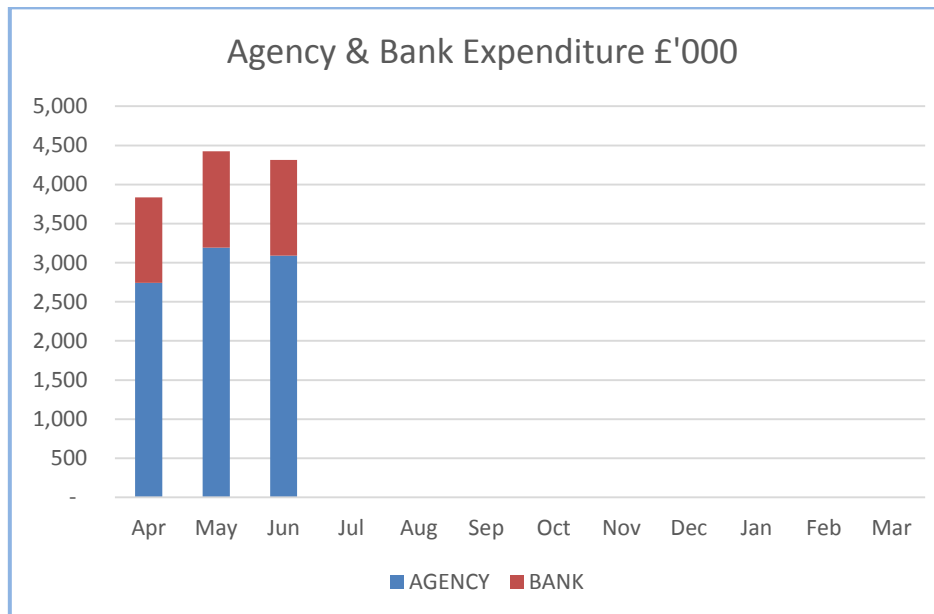
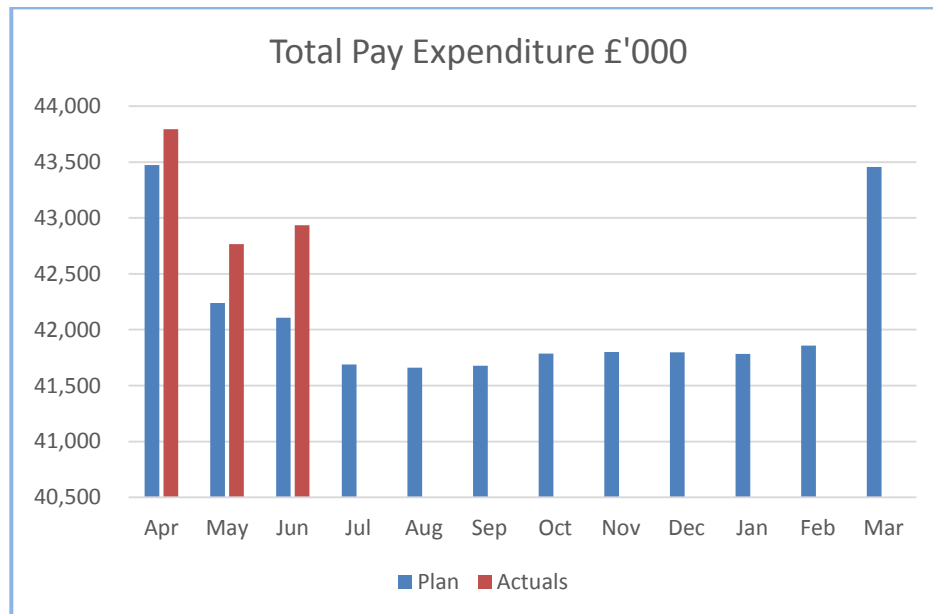
- The above table shows the current month, YTD and forecast positions by Division rather than by Expenditure categories as in Section 3.3 above.
- The main areas of overspends , expressed as a % of budget are as follows:
 - Clinical Support 3.1%, Planned Care 3.95%, POW Delivery Unit 4.86% & Unscheduled care 3.69%
- The main areas of underspends, expressed as a % of budget are as follows:
 - Corporate Functions 0.97% & Contracting & Commissioning 0.13%.

Year End Forecasts

- The Health Board is forecasting a break even position for 2019/20 and a forecast recurring deficit going into next year of £3.5m.
- Divisions will be providing details of their current year forecasts and recurrent forecasts as part of their M3 Finance packs. This information will be included in the M4 Finance report.

3.5 Pay Expenditure

Monthly Trends (Please note scale of Y-axis)



Key Issues

- The budget and spend for April is high because this included £1.6m for the Agenda for Change (A4C) non-consolidated lump sum payment as per the framework agreement.
- The M3 position is reporting Pay expenditure of £42.9m compared to a budget of £42.1m giving rise to an over spend of £0.8m. This is a deterioration compared to the M1 and M2 overspends of £0.3m and £0.5m respectively.
- Agency spend was £3.1m in M3, compared to £3.2m in M2. This equates to 7.2% of total pay costs in June compared to 7.5% in May.
- Bank spend was £1.2m in M3 which was consistent with M2. This equates to 2.8% of total pay costs.
- The M12 budget profile is showing an increase of circa £1.6m which includes £0.9m for Mental Health Development funding and £0.5m for General Surgery Investment funding.

Performance by Staff Category

	Annual Budget £'000	Current Month Variance £'000	Year to Date Variance £'000	YTD Variance as % of YTD budget %
Medical And Dental	126,611	(95)	794	2.49%
Wards and A&E Nursing:				
Registered Nursing	48,290	161	134	1.10%
Additional Clinical Services	22,099	476	1,168	21.10%
Sub-Total Wards & A&E Nursing	70,389	636	1,302	7.34%
Other Nursing:				
Registered Nursing	119,044	(136)	(849)	-2.80%
Additional Clinical Services	23,090	290	602	10.20%
Sub-Total Other Nursing	142,133	153	(248)	10.20%
Additional Clinical Services	11,505	(13)	11	0.31%
Allied Health Professionals	29,742	(118)	(358)	-4.75%
Add Prof Scientific And Technical	18,258	(122)	(133)	-2.85%
Administrative & Clerical	65,475	65	(255)	-1.55%
Estates And Ancillary	31,388	66	96	1.21%
Healthcare Scientists	11,617	31	15	0.51%
Vacancy factors included in budgets for staff turnover	(1,783)	225	453	
Grand Total	505,336	828	1,676	1.31%

Key Issues

- Medical Pay improved in M3 following a budget increase of £328k. The YTD variance at M3 is £794k.
- Wards & A&E have further deteriorated in M3, with an in month overspend of £636k compared to £512k in M2.
- Significant YTD underspends are being reported for :
 - Other nursing £248k
 - Allied Health Professionals £358k
 - Admin & Clerical £255k

Performance by Division

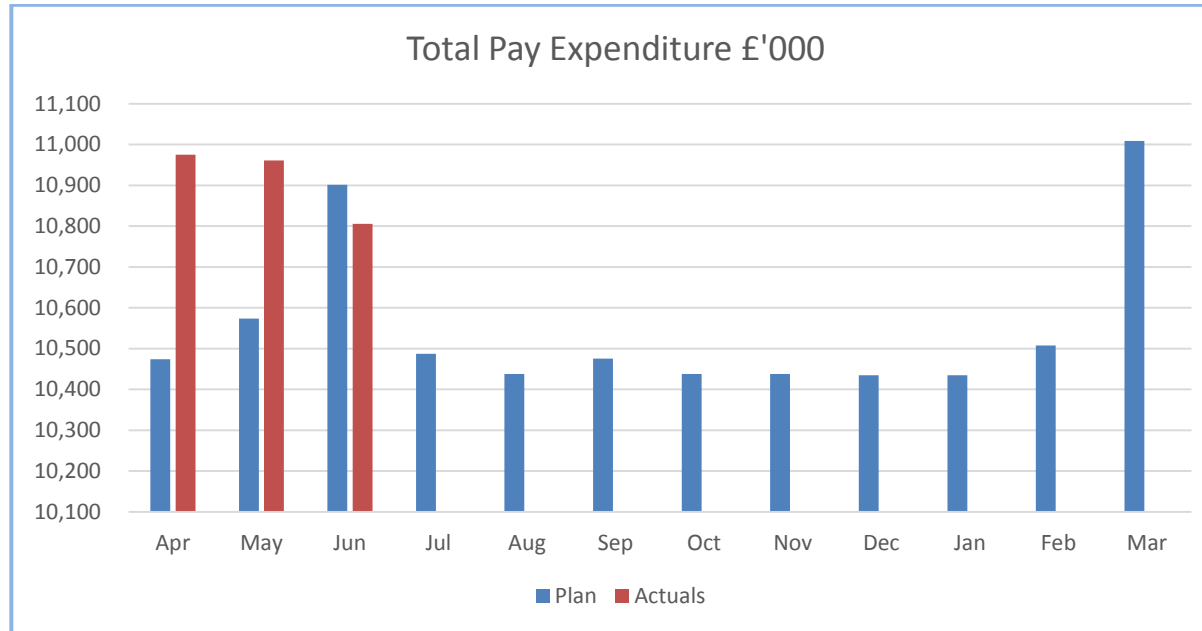
	In Month Variance				Year to Date Variance
	Over/(Under) Spend				Over/(Under) Spend
	Annual Budget £'000	Last Month £'000	Current Month £'000	Change £'000	Current Month £'000
Chief Operating Officer:					
Unscheduled Care	71,589	196	108	(88)	389
Planned Care	90,757	273	(192)	(465)	201
POW Delivery Unit	86,280	272	266	(6)	811
Clinical Support	42,828	61	(43)	(104)	103
Facilities	28,742	-47	11	58	(71)
Total COO	320,196	756	150	(605)	1,433
PCMH:					
Primary & Community	94,016	39	250	211	198
Mental Health	45,065	-142	4	146	(214)
Medicines Management	11,144	18	(26)	(44)	39
Total PCMH	150,225	-86	227	312	22
Contracting & Commissioning	0	0	0	0	0
Corporate Functions	34,914	-125	451	576	221
GRAND TOTAL	505,336	545	828	283	1,676

Key Issues

- The M3 YTD Pay overspend is £1,676k. The most significant overspends are in the following areas:
 - Acute Medicine and A&E £389k (Additional clinical services £424k)
 - Obstetrics, Gynaecology and Sexual Health £254k (Medical £153k, Additional clinical services £82k and Registered Nursing £26k)
 - POW Delivery Unit £811k (Medical £570k, Additional clinical services £398k)
 - Pathology £118k (Medical £74k and Healthcare Scientists £65k)
 - Localities £176k (Additional clinical services - £238k Community Hospitals and £40k District Nursing teams)
 - Primary care £114k (Medical £104k, including £23k managed practices and £78k GPOOH)
 - ICT £165k (ongoing WCCIS costs plus £106k agency costs) – Some of these costs need to be capitalised which will improve the position in M4.

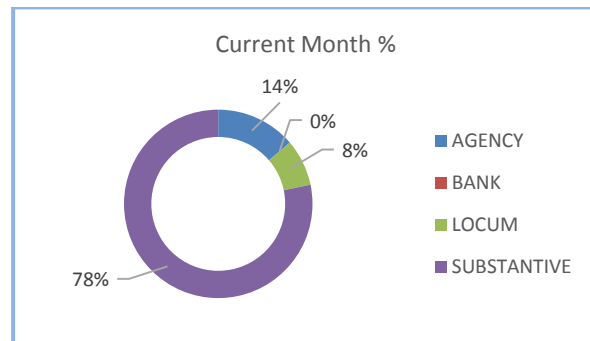
Medical and Dental Pay Expenditure

The chart below shows the trends of Medical & Dental pay expenditure and budget. **(Please note scale of Y-axis)**

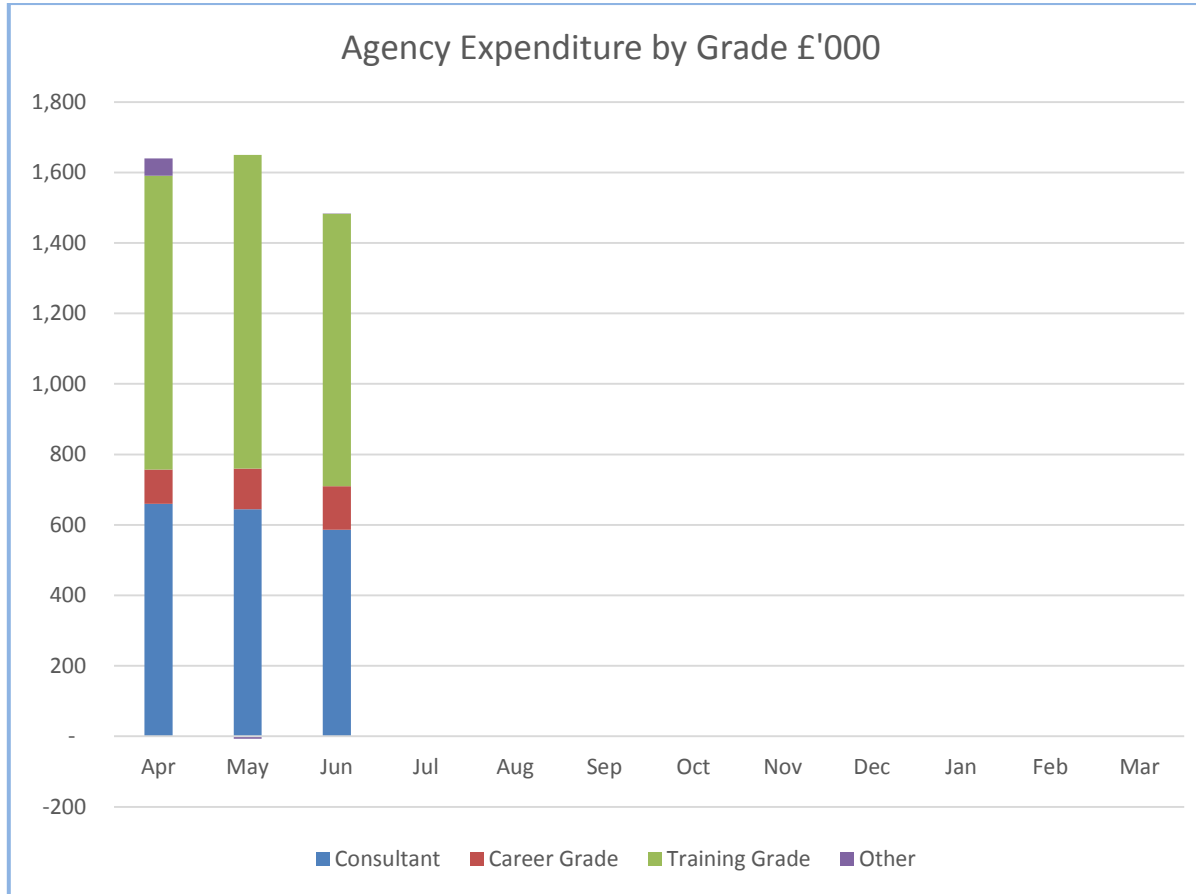


Key Issues

- Expenditure in M3 reduced by £155k to £10.8m.
- The increased budget in M3 of £328k includes POW Delivery Unit (£248k) and CAMHS (£67k).
- The M3 year to date variance is £794k adverse.
- M3 Medical agency spend was £1.48m, a reduction of £159k from M2.
- M3 agency spend accounted for 14% of total Medical & Dental pay compared to 15% for year to date.



The Chart below shows an analysis of the monthly medical agency costs by grade.

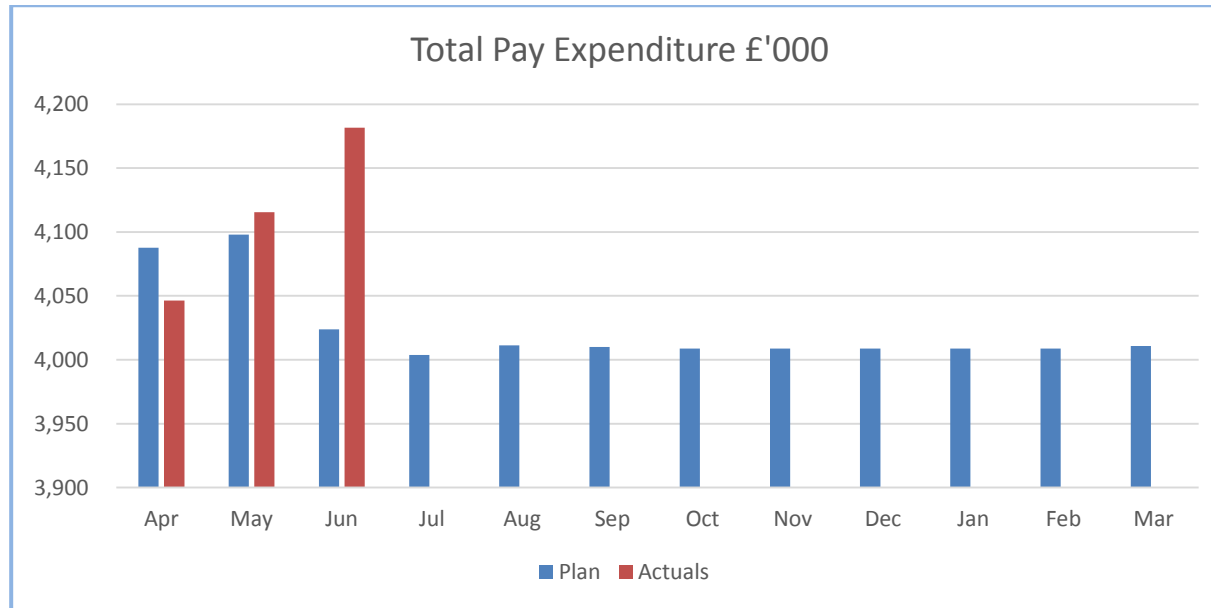


Key Issues

- The level of medical and dental agency expenditure fell slightly in M3 to £1.48m. Medical Agency remains a concern, with agency costs averaging almost £1.6m/month.
- Training grades continue to represent over 52% of the total agency expenditure with Consultants representing 40% of agency expenditure in M3.

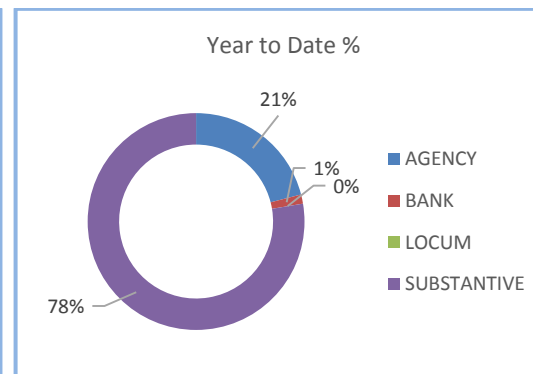
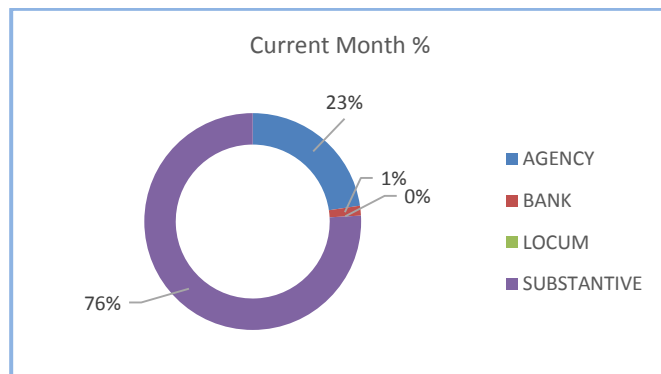
Registered Nursing - Wards and A&E Pay Expenditure

The charts below show the monthly trends for Registered Nursing pay costs in Wards and A&E:
(Please note scale of Y-axis)



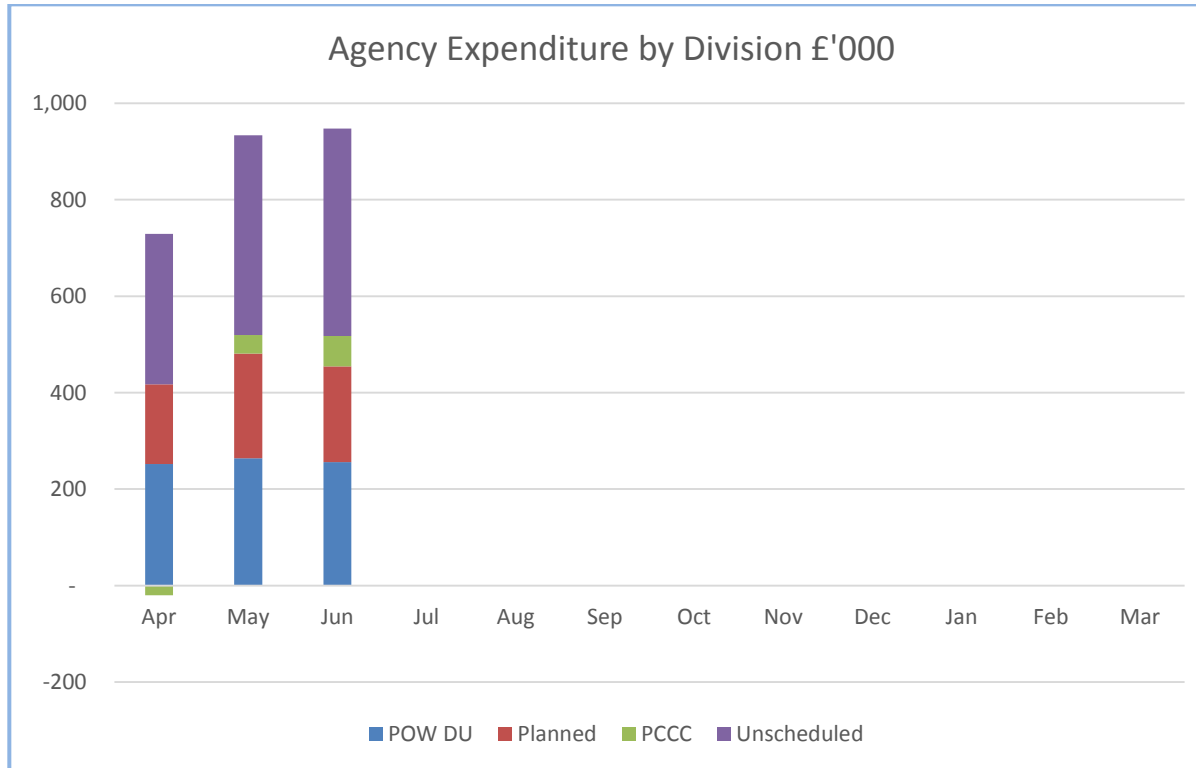
Key Issues

- The budget and spend in M1& M2 included circa £200k for the non-consolidated lump sum payment and pay awards.
- Expenditure in M3 increased slightly by £74k.
- The M3 YTD Variance was £134k which is a deterioration of £161k from M2.
- M3 agency costs remained consistent at £948k (M2 £934k).
- M3 agency spend accounted for 21% of total Ward and A&E registered nursing pay with bank expenditure of 1%.



Registered Nursing - Wards and A&E Agency Expenditure

The chart below shows a split of the monthly agency costs for Registered Nursing in Wards and A&E by Division.

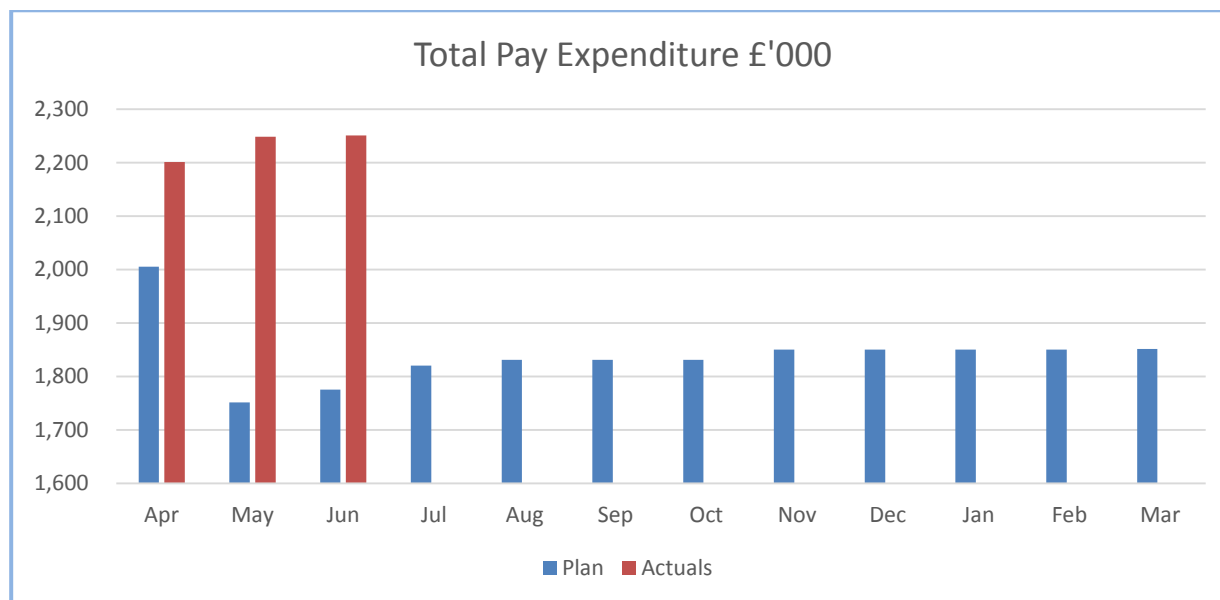


Key Issues

- Total agency spend in M3 was consistent with M2 at £948k.
- Unscheduled care accounted for 45% of total agency expenditure in M3, with the POW Delivery Unit accounting for 27%.

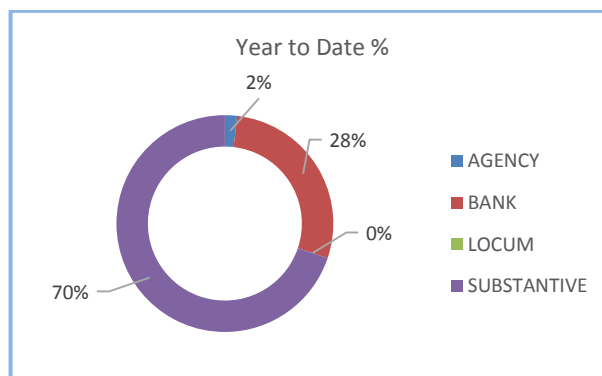
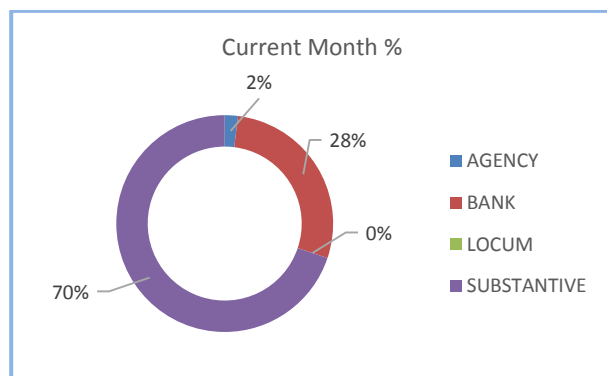
Additional Clinical Services – Wards and A&E Pay Expenditure

The chart below show the monthly trends for Additional Clinical Services pay costs in Wards and A&E: **(Please note scale of Y-axis)**



Key Issues

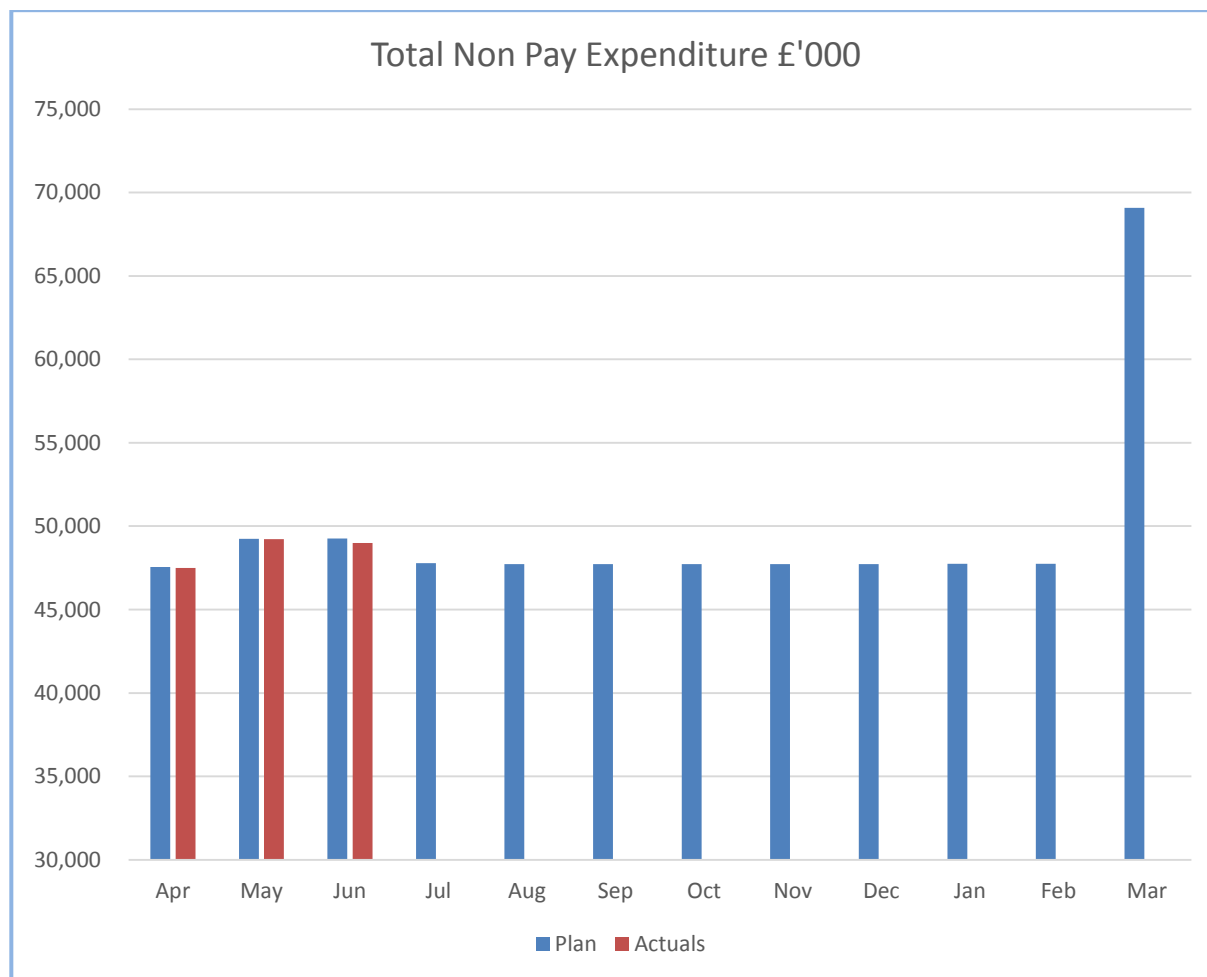
- The budget and spend in M1 included circa £70k for the non-consolidated lump sum payment.
- Expenditure in M2 increased slightly by £3k.
- The M3 YTD overspend was £1.1m.
- M3 agency costs were £44k (M2 £57k).
- M3 bank costs accounted for 28% of the total pay costs for ACS staff in Wards and A&E.



3.6 Non Pay Expenditure

Monthly Trends

The chart below shows the monthly trends of non-pay expenditure and budgets: **(Please note scale of Y-axis)**



Key Issues

- Non Pay Expenditure in M3 remained consistent with the previous month at £49m (M2 £49.2m).
- The M3 YTD variance was a £339k underspend.
- The increased budget for M12 mainly includes directorate based reserves for:
 - NICE/High cost drugs £9.1m
 - Contracting & Commissioning- LTA Performance Reserve £4.2m
 - General Surgery - Referral to Treatment (RTT) Performance and investment funding £2.7m
 - Localities - Pooled fund & Growth for Continuing Healthcare (CHC) £1.2m
 - Research & Development (R&D) £1.0m

Performance by Expenditure Category

The table below shows the current month and year to date variances in respect of non-pay expenditure.

	Annual Budget £'000	Current Month Variance £'000	Year to Date Variance £'000	YTD Variance as % of YTD budget %
Primary Care & Contracts				
Primary Care Contracts	119,049	(206)	(663)	-2.22%
Primary Care Prescribing	86,210	(53)	16	0.07%
CHC & FNC	51,062	(130)	202	1.63%
Secondary Healthcare	6,225	(20)	3	0.19%
Purchases of Healthcare Services	3,985	5	8	2.58%
Services from Other NHS Bodies	194,572	657	622	1.28%
Total Primary Care & Contracts	461,104	253	188	0.16%
Traditional Non Pay				
Secondary Care Drugs	30,541	(61)	301	3.16%
Clinical Supplies & Services	37,769	(223)	(413)	-4.33%
General Supplies & Services	6,253	(20)	46	2.92%
Establishment Expenses	10,176	80	191	7.05%
Contract Staffing & Consultancy	220	129	198	228.65%
Misc Services – Other	29,106	(525)	(958)	-35.65%
Premises & Fixed Plant	21,868	99	108	1.99%
Total Traditional Non Pay	135,933	(521)	(527)	-1.67%
GRAND TOTAL	597,037	(268)	(339)	-0.23%

Key Issues:

- The most significant overspends at M3 are in the following areas:
 - CHC/Funded Nursing Care (FNC) £202k:
 - Mental Health (MH) £252k
 - Secondary Care Drugs £301k:
 - Pathology £92k
 - Medicine £157k
 - Head & Neck £30k
 - Other NHS Bodies £622k
- The most significant underspends at M3 are in the following areas:
 - Primary Care (PC) £663k:
 - General Medical Services (GMS) £551k
 - Other PC £253k
 - Clinical Supplies & Services – Appliances £413k
 - Misc Services £958k:
 - Directorate based reserves £469k
 - Clinical Negligence £230k
 - Other Misc £361k

Performance by Division

	Annual Budget	In Month			Year to Date
		Over/(Under) Spend			Over/(Under) Spend
		Last Month	Current Month	Change	Current Month
		£'000	£'000	£'000	£'000
Chief Operating Officer:					
Unscheduled Care	12,053	106	(40)	(146)	118
Planned Care	22,938	-3	3	6	36
POW Delivery Unit	23,452	-36	(62)	(26)	(385)
Clinical Support	17,142	11	(27)	(38)	216
Facilities	13,469	93	(36)	(129)	58
Total COO	89,054	171	(164)	(335)	41
PCMH:					
Primary & Community	129,589	61	(84)	(145)	(94)
Mental Health	34,742	172	(87)	(259)	218
Medicines Management	122,520	64	(65)	(129)	(8)
Total PCMH	286,852	298	(236)	(533)	116
Contracting & Commissioning	185,815	-259	211	470	(83)
Corporate Functions	35,316	-226	(79)	147	(414)
GRAND TOTAL	597,037	-16	(267)	(250)	(339)

Key Issues:

The most significant overspends within the total Non Pay underspend of £339k are in the following areas:

- Unscheduled Care £118k – Drugs £157k.
- Clinical support £216k:
 - Pathology - Drugs £92k & SLAs £68k.
 - Radiology- Reporting £69k & X-Ray Equipment Maintenance £45k
- Mental health £218k- Continuing Healthcare £251k but offset by positive income variance of £271k

The most significant underspends are in the following areas:

- POW Delivery Unit- M&S £145k, Appliances £117k and Misc £83k.
- Corporate functions £414k- This includes a £225k underspend on clinical negligence claims in PC&S and a £118k underspend on Building and Engineering supplies in Estates.

3.7 Income

Performance by Income Category

	Annual Budget	Current Month Variance	Year to Date Variance	YTD Variance as % of YTD budget
	£'000	£'000	£'000	%
Income From Activities				
Dental Income	(6,043)	4	7	0.43%
Local Health Boards	(75,209)	(31)	126	0.66%
Other	(29,960)	(4)	36	0.46%
Total Income from Activities	(111,212)	(32)	168	0.59%
Other Operating Income		0		
Accommodation & Catering	(3,661)	28	43	4.78%
Charitable & Other Contributions	(537)	3	9	6.20%
Education & Training	(15,384)	(3)	(43)	-1.15%
Laundry, Pathology & Payroll	(354)	(6)	(32)	-34.58%
Mortuary Fees	(299)	0	1	1.41%
Non Patient Care – Income Generation	(708)	(25)	(22)	-12.39%
Other Income	(4,736)	(3)	(38)	-3.11%
Staff Payments for use of Cars	(286)	(1)	(2)	-2.33%
Total Other Operating Income	(25,965)	(7)	(84)	-1.29%
GRAND TOTAL	(137,177)	(39)	85	0.24%

Key Issues

The most significant M3 YTD adverse variances relate to:

- Local Health Boards £126k:
 - Swansea Bay - CAMHS £124k
 - Cardiff & Vale UHB (C&VUHB) - POW Surgical Services £78k
- Other £36k:
 - Injury cost recovery scheme £187k
 - WHSSC £66k
 - Offset by favourable variances on Local authority income of £218k.

Performance by Division

	Annual Budget	In Month			Year to Date
		Over/(Under) Spend			Over/(Under) Spend
		Last Month	Current Month	Change	Current Month
	£'000	£'000	£'000	£'000	£'000
Chief Operating Officer:					
Unscheduled Care	(264)	-14	5	19	(21)
Planned Care	(1,714)	11	13	2	28
POW Delivery Unit	(7,201)	-61	47	108	22
Clinical Support	(2,176)	-6	(5)	1	(24)
Facilities	(4,081)	-25	18	43	12
Total COO	(15,436)	-98	80	173	17
PCMH:					
Primary Care, Children & Community	(15,972)	94	70	(24)	294
Mental Health	(2,586)	-78	(85)	(7)	(238)
Medicines Management	(3,884)	-78	66	144	(19)
Total PCMH	(22,442)	-62	50	112	36
Contracting & Commissioning	(94,799)	219	(128)	(347)	91
Corporate Functions	(4,508)	11	(40)	(51)	(59)
GRAND TOTAL	(137,186)	71	(39)	(113)	85

Key Issues

The most significant overspends within the M3 YTD overspend of £85k are as follows:

- Primary Care, Children & Community £294k- Swansea Bay CAMHS £124k, WHSSC CAMHS £70k, Local Authority Income £66k.
- Contracting & Commissioning £91k – Injury cost recovery scheme £187k and Non Contracted Activity £59k, with an offsetting underspend on LTA Provider performance of £150k.

The most significant M3 YTD underspends are as follows:

- Mental Health £238k- S117 CHC income from Local Authorities

3.8 Savings Plan Performance

	Annual Plan £'000	Variance Against Plan			
		Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000
Chief Operating Officer:					
Unscheduled Care	1,243	104	311	482	352
Planned Care	3,755	181	780	2,114	2,017
POW Delivery Unit	3,051	249	747	2,904	2,853
Clinical Support	894	41	170	633	617
Facilities	1,294	107	323	937	741
Total COO	10,237	682	2,331	7,070	6,579
PCMH:					
Primary & Community	2,218	69	525	1,530	1,422
Mental Health	2,477	125	236	271	674
Medicines Management	225	(19)	19	0	0
Total PCMH	4,920	174	779	1,801	2,095
Contracting & Commissioning	450	0	(37)	(300)	(300)
Corporate Functions	821	34	104	290	283
Total Delegated Budgets	16,428	891	3,178	8,861	8,657
CCT to be allocated to Directorates	600	50	150	0	(400)
Contingency against recurring savings targets	(7,028)	(606)	(1,757)	(7,028)	(5,228)
Anticipated Improvements				0	0
Total Non Delegated Budgets	(6,428)	(556)	(1,607)	(7,028)	(5,628)
GRAND TOTAL M3	10,000	335	1,571	1,833	3,029

Key Issues

- The Delegated savings target of £16.4m represents a M3 target of £4.12m. Only £0.95m of savings have been reported to M3 resulting in an adverse variance against plan of £3.18m. This variance reduces to £1.57m after allowing for the Savings contingency which is being released on a straight line basis.
- Forecast In year and recurrent savings as at M3 is £8.2m and £8.8m respectively, leaving a shortfall of £1.8m and £3m respectively.

3.9 Non Delegated Budgets

Non Delegated Budgets and Reserves M3	M3 Budget	Year to Date Variance	Forecast In Year Variance	Forecast Recurrent Variance	Note
	£'000	£'000	£'000	£'000	
Income and Allocations					
Non-recurring Income Target	-4,500	0			A
Non-recurring Income Achieved					
Savings					
Recurrent Savings Target	-600	150			Section 3.8
Savings Achievement					
Expenditure Budgets					
Capital Charges	17,922	0			
Other Budgets	-1,380	57			
Reserves and Contingencies					
Savings Contingency against Recurrent Savings Targets	7,027	-1,757			B
Earmarked Budgets yet to be Allocated to Directorates					
Service Improvement - Local	809	-202			C
Service Improvement - Mgt capacity	1,000	0			D
Service Improvement - WG Earmarked	859	0			E
Service & Demand Pressures- Recurrent	5,903	-1,476			F
Service & Demand Pressures- PON	2,089	0			G
Service & Demand Pressures- Non Recurrent	2,398	0			H
Service & Demand Pressures - RTT	4,727	0			I
Inflation	7,338	0			J
Underlying Deficit	1,754	-439			K
Prior Year Commitments	3,176	-794			L
Allocations to be yet released	20,955	0			M
TOTAL	69,477	-4,460			Notes follow on next page

- **Note A – Non Recurring Income Target**

As noted in Section 2b, the non-recurring income target for 2019/20 has been increased from £2.7m to £4.5m. The increase of £1.8m has been used to part fund the £2.8m increase in the Savings contingency from £4.1m to £6.9m.

- **Note B – Savings Contingency against Recurring Savings targets**

The savings contingency of £6.9m is being released on a straight line basis.

- **Note C - Service Improvement – Local Discretionary Investments**

The updated financial plan for 2019/20 included a budget of £1.6m for new discretionary investments. As at M3 £0.8m has been allocated to directorates leaving a balance of £0.8m which is being released on a straight line basis.

- **Note D - Service Improvement – Management Capacity**

The updated financial plan for 2019/20 included a recurring budget of £2.0m for new management capacity, of which £1m was expected to be incurred in the last 6 months of 2019/20. As at M3 no funding has been released and the forecast continues to assume the £1m will be fully committed in the later periods of 2019/20.

- **Note E - Service Improvement – WG Directed Investment**

The updated financial plan for 2019/20 included a budget of £0.86m for new WG directed investments. As at M3 no funding has been released, the balance remaining of £0.859m is anticipated to be released in M4.

- **Note F - Service & Demand Pressures - Recurrent**

The updated financial plan for 2019/20 included a budget of £7.2m for new recurring cost pressures. As at M3 £1.3m has been allocated to directorates leaving a balance of £5.9m which is being released on a straight line basis.

- **Note G - Service & Demand Pressures – Paediatrics, Obstetrics and Neonatal**

The updated financial plan for 2019/20 included a budget of £2.3m for cost pressures associated with Paediatrics, Obstetrics and Neonatal services, £0.8m of which is non recurrent. As at M3 £0.2m has been allocated to directorates leaving a balance of £2.1m which is anticipated to be fully committed.

- **Note H - Service & Demand Pressures – Non Recurrent**

The updated financial plan for 2019/20 included a budget of £4.2m for new non-recurring cost pressures:

	Plan	Issued	Balance @ M3
Invest 2 Save Support	£1.1m	£0.17m	£0.93m
Bridgend Transitional Support	£1.1m	£0.38m	£0.7m
Maternity & Quality Improvement Team	£0.6m	£0.6m	£ Nil
CHC Retrospective Claims	£0.7m	£ Nil	£0.7m
Other Non-recurrent Cost Pressures	£0.7m.	£0.63m	£0.07m
	£4.2m	£1.78m	£2.4m

The balance of £2.4m which is anticipated to be fully committed.

- **Note I - Service & Demand Pressures - RTT**

The updated financial plan for 2019/20 included a budget of £4.15m to sustain RTT Performance, a further £7m of non-recurring funding has been provided by WG, to give a total plan of £11.15m in 2019/20. As at M3 £6.4m has been allocated to directorates leaving a balance of £4.7m which is anticipated to be fully committed.

- **Note J - Inflation**

The updated financial plan for 2019/20 included a budget of £19.9m for new inflation pressures. As at M3 £12.6m has been allocated to directorates leaving a balance of £7.3m which is anticipated to be fully committed.

- **Note K - Underlying Deficit**

The updated financial plan for 2019/20 included a budget of £15m for underlying delegated deficits from 2018/19. As at M3 £13.2m has been allocated to directorates leaving a balance of £1.8m which is being released on a straight line basis.

- **Note L - Prior Year Commitments**

The updated financial plan for 2019/20 included a budget of £6.5m for prior year commitments not funded in directorate budgets. As at M3 £3.3m has been allocated to directorates leaving a balance of £3.2m which is being released on a straight line basis.

- **Note M – Allocations to be released**

The allocations to be released balance of £20.955m includes £10.594m for initial approval of the Healthier Wales transformation funding.

3.10 Welsh Government Allocations

The table below shows the Health Board's current Welsh Government allocation position:

	Annual Budget £'000	Healthcare & Hospital Services £'000	Community Pharmacy £'000	Dental £'000	General Medical Services £'000
Confirmed Allocations	989,321	868,396	26,905	19,308	74,712
Unconfirmed Allocations	30,725	27,867	389	1,102	1,367
TOTAL Allocations	1,020,046	896,263	27,294	20,410	76,079

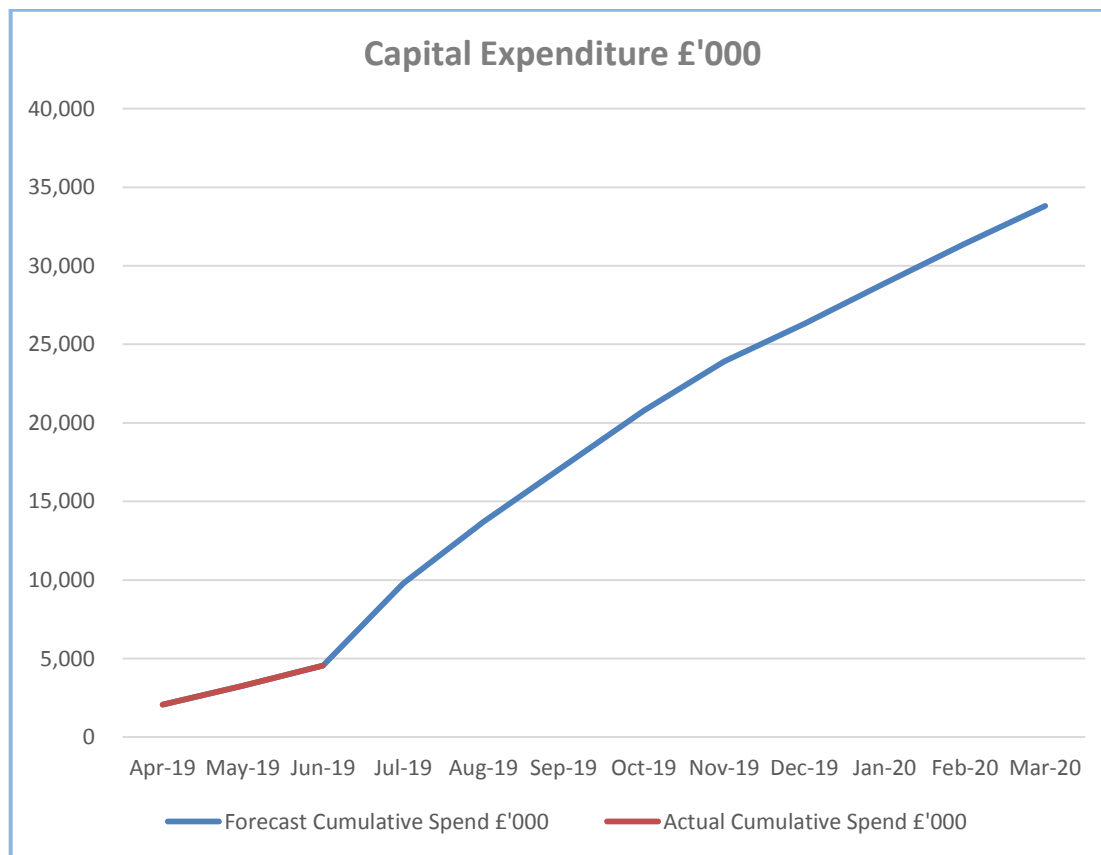
Key Issues

The most significant anticipated allocations include:

- Healthier Wales Transformation Funding - £10.6m
- RTT Performance Funding - £7.0m
- Bridgend boundary change (recurring deficit) - £7.4m
- Substance misuse - £3.4m
- GMS IM&T refresh- £1.3m
- Treatment fund - £1.3m
- ICF Dementia funding - £1.2m
- Dental VTs - £1.1m
- Targeted Intervention Support - £1.1m
- Unsocial Hours Sickness Enhancements - £0.85m

3.11 Performance against Capital Resource Limit

The actual cumulative capital spend and forecast cumulative capital spend is detailed in the graph below:

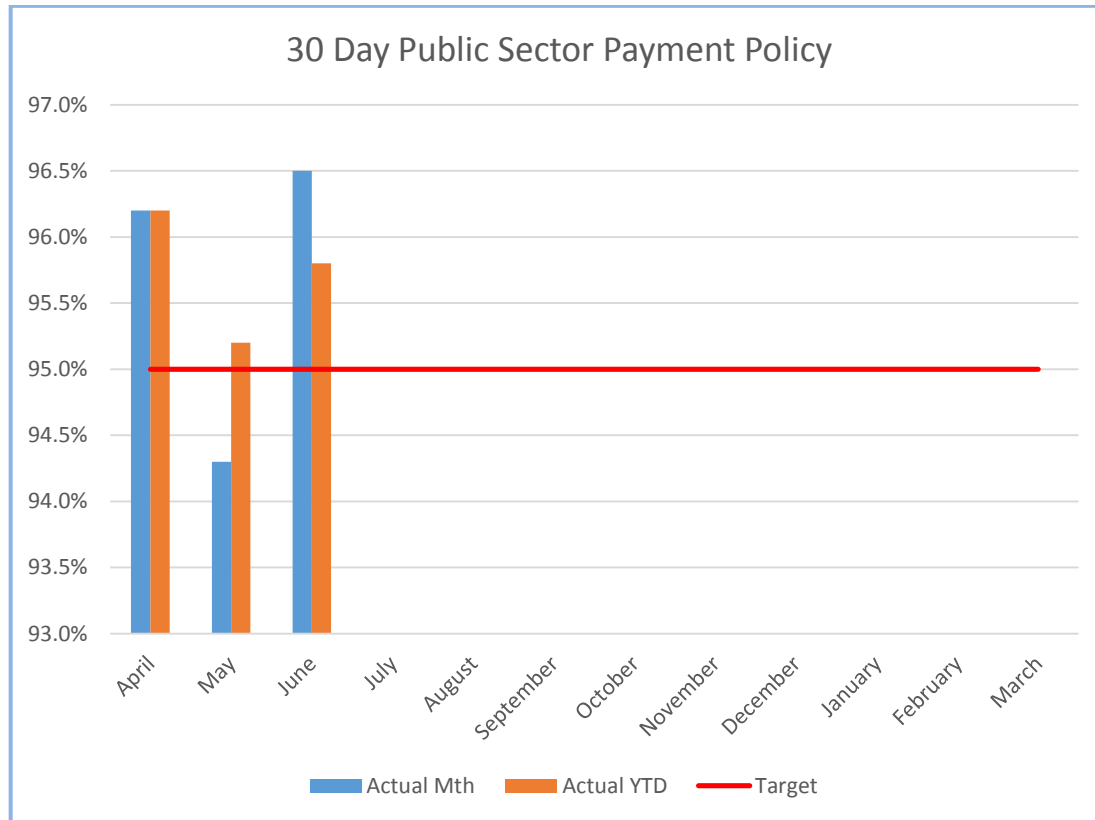


Key Issues

- The current Capital Resource Limit of £31.9m was issued on 30th April 2019.
- This is supplemented by £1.8m of donated funds, giving an overall programme of £33.7m.
- Expenditure to date is £4.6m
- The current forecast capital position is break even.

3.12 Public Sector Payment Performance

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



Key Issues:

- In M3, 96.5% of the number of non NHS invoices were paid within 30 days.
- The M3 YTD position is 95.8%.
- The forecast position is to achieve the 95% target for the year.

3.13 Balance Sheet

The M3 balance sheet is detailed below.

Balance Sheet	Opening Balance (01/04/2019) £'000	Closing Balance as at M03 £'000	Forecast Closing Balance M12 £'000
Non Current Assets			
Property, Plant & Equipment	363,771	363,702	363,771
Intangible Assets	913	913	913
Trade and Other Receivables	38,734	38,734	38,734
Total Non-Current Assets	403,418	403,349	403,418
Current Assets			
Inventories	4,291	4,416	4,291
Trade and Other Receivables	86,580	81,665	86,580
Cash and Cash Equivalents	316	5,097	294
Total Current Assets	91,187	91,178	91,165
Current Liabilities			
Trade and Other Payables	98,897	112,648	98,875
Provisions	47,796	45,939	47,796
Total Current Liabilities	146,693	158,587	146,671
Non-Current Liabilities			
Trade and Other Payables	1,466	1,466	1,466
Provisions	43,372	43,372	43,372
Total Non-Current Liabilities	44,838	44,838	44,838
TOTAL ASSETS EMPLOYED	303,074	291,102	303,074
Financed By:			
General Fund	277,070	265,098	277,070
Revaluation Reserve	26,004	26,004	26,004
TOTAL	303,074	291,102	303,074

Key Issues

- The forecast closing balance does not reflect any changes relating to the Bridgend Transition, as assets and liabilities have not yet transferred.

3.14 Cash Flow

A cash flow forecast is detailed in the table below:

Cashflow Forecast	Actual/Forecast												
	Apr £'000	May £'000	Jun £'000	Jul £'000	Aug £'000	Sep £'000	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £'000	Total £'000
Receipts													
WG Revenue Funding	67,704	85,194	72,197	91,500	95,700	74,255	90,005	95,785	88,045	86,290	86,300	73,304	1,006,279
WG Capital Funding	2,000	3,000	3,000	2,200	1,500	3,550	2,800	2,800	2,250	2,250	2,500	4,121	31,971
Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Welsh NHS Org'ns	9,272	9,248	9,161	11,700	9,000	10,200	9,000	10,200	9,000	10,200	9,000	10,200	116,181
Other	2,198	5,992	2,258	3,024	2,950	3,180	3,075	3,077	3,273	3,118	3,010	3,000	38,155
Total Receipts	81,174	103,434	86,616	108,424	109,150	91,185	104,880	111,862	102,568	101,858	100,810	90,625	1,192,586
Payments													
Primary Care Services	11,546	21,225	9,414	16,532	25,532	8,034	16,032	25,530	18,108	16,476	16,210	8,390	193,029
Salaries and Wages	32,265	40,778	40,809	41,350	41,650	42,280	42,350	42,080	42,550	42,080	42,080	42,550	492,822
Non Pay Expenditure	31,121	38,495	34,687	50,550	38,400	36,900	43,150	40,400	38,150	40,900	39,456	41,196	473,405
Capital Payments	3,724	1,693	78	3,000	3,200	3,700	3,400	3,550	3,400	2,550	3,000	676	31,971
Other (Donated asset funding)	302	282	24	40	180	75	77	273	118	10	0	0	1,381
Total Payments	78,958	102,473	85,012	111,472	108,962	90,989	105,009	111,833	102,326	102,016	100,746	92,812	1,192,608
Net Cash In/Out	2,216	961	1,604	(3,048)	188	196	(129)	29	242	(158)	64	(2,187)	
Balance B/F	316	2,532	3,493	5,097	2,049	2,237	2,433	2,304	2,333	2,575	2,417	2,481	
Balance C/F	2,532	3,493	5,097	2,049	2,237	2,433	2,304	2,333	2,575	2,417	2,481	294	

Key Issues

- As at the 30th June 2019 the cash balance was £5.097m. The high cash balance in M3 was due to delays in receiving an expected invoice from the Local Authority for £3m.
- The forecast cash position is break-even.

4 **RECOMMENDATION**

The Health Board is asked to:

- **DISCUSS** the contents of the Month 3 Finance report for 2019/20.

Freedom of Information Status	Open
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