



AGENDA ITEM

6.1.5

CTM BOARD

FINANCE UPDATE – MONTH 12 of 2021/22

Date of meeting	26 /5/2022
FOI Status	Open/Public
If closed please indicate reason	Not Applicable - Public Report
Prepared by	Mark Thomas, Deputy Director of Finance
Presented by	Sally May, Director of Finance & Procurement
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	25/4/2022	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 12 of 2021/22

1. SITUATION

The purpose of this report is to highlight the key messages in relation to the year end financial position of Cwm Taf Morgannwg (CTM) University Health Board for 2021/22.

2. BACKGROUND

This report should be read in the context of the draft CTM Integrated Medium Term Plan for 2021/22 to 2023/24, which is available on the website, and the updated draft 2021/22 financial plan, as described in earlier finance reports.

The updated draft financial plan for 2021/22 consisted of three elements; core, Covid response and planned care recovery. The 21/22 financial plan also assumed that around £9m of existing cost pressures projected by ILGs & Directorates would be avoided or managed out. There is a £5m transitional budget to support this which will provide some temporary headroom if actual costs are lower. The plan reflected a breakeven position through Q1 to Q4, with the deficit in the core plan being offset by a corresponding surplus against Covid funding, giving an overall breakeven position for 2021/22.

3. ASSESSMENT

The Health Board has reported a draft surplus of £37k for 21/22 and has achieved the financial duty to break even against its Revenue Resource Limit over the 3 year period 2019/20 to 2021/22.

The planned recurrent deficit at the end of 2021/22 was £31.4m. The actual underlying deficit at M12 is now £44.5m (M11: £44.5m). This level of underlying deficit represents a significant concern, especially given the challenging resource outlook for 2022-23.

4. RECOMMENDATION

The Board is asked to **DISCUSS** the contents of the Month 12 Finance report for 2021/22.



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5. HEADLINE MESSAGES AND KEY ACTIONS

5.1 MONTH 12

- The Health Board has reported a draft surplus of £37k for 21/22 and has achieved the financial duty to break even against its Revenue Resource Limit over the 3 year period 2019/20 to 2021/22.

5.2 SAVINGS PERFORMANCE

- The actual savings for 21/22 was £12.5m (M11: £11.5m) compared to an annual target of £14.5m.
- The actual recurrent savings for 21/22 was £5.0m (M11:£5.4m) compared to a recurrent savings target of £16.1m. The forecast recurrent shortfall in savings delivery is therefore £11.1m.

5.3 UNDERLYING POSITION

- The planned recurrent deficit at the end of 2021/22 was £31.4m. The actual recurring deficit is £44.5m (M11: £44.5m) and the deterioration from plan is primarily due to the recurrent shortfall in savings delivery of £11.1m.
- This level of underlying deficit remains a significant concern, especially given the challenging resource outlook for 2022/23.

5.4 CAPITAL

- The Capital Resource Limit for 2021/22 was £79.2m.
- The Health Board is reporting a draft surplus of £42k against the CRL for 2021/22.

5.5 COVID

- During 2021/22 the Health Board received £114.4m of Welsh Government Revenue funding to deal with the ongoing impact of Covid-19. Further details of the actual spend is provided in Section 6.5.



5.6 MONTH 12 MOVEMENTS

As in 20/21 we experienced a significant swing in the Delegated position in M12 of 21/22:

	Month 12 forecast Year end position after M11	Month 12 Year end actual position	Variance
	£k	£k	£k
Delegated budgets	11,374)	(13,098)	1,724
Non delegated budgets and Reserves	(11,310)	(13,115)	(1,825)
Total	64	(37)	(101)

The main movements were in the following areas:

Service Division	M12 Y/E forecast - as at M11 Day 8	M12 actual	Variance from M12 forecast
	£k	£k	£k
Integrated Locality Groups			
Bridgend ILG	4594	5478	884
Merthyr & Cynon ILG	(969)	(688)	281
Rhondda & Taff ILG	1419	1976	556
Delivery Executive			
Facilities	2211	2007	(203)
Primary Care	(1004)	(424)	579
COVID Planned Projects	600	811	211
Planned Care Recovery Plans	(1250)	(1777)	(527)
Corporate Executives			
Public Health	333	537	203
Estates	3222	2837	(385)
Workforce & OD	400	528	128
Contracting & Commissioning			
	(1428)	(1193)	235
Other	3245	3007	(238)
TOTAL DELEGATED BUDGETS	11,374	13,098	1,724




A detailed review is being undertaken to understand the key reasons for the above movements, any recurring impacts for 22/23 and also any learning points for the finance teams and budget holders to improve forecasting going forward. This will be reported to the Executive Leadership Group in due course.

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

6.1 Financial Position and Key Targets – Month 12

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	Year End position
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	553	(37)		(37)
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	(42)	(42)		(42)
Public Sector Payment Policy To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance	%	97.1%	95.7%		95.7%

6.2 Revenue Performance by Expenditure Category

	Annual Budget £'000	Over/(Under) Spend	
		Current Month £'000	Year to Date £'000
Delegated Budgets			
Pay	611,559	2093	3,612
Non Pay	736,541	1186	6,426
Income	(148,902)	(801)	(442)
Delegated Savings Plans	(3,502)	392	3,502
Total Delegated Budgets	1,195,695	2,870	13,098
Non Delegated Budgets	83,121	(2,317)	(13,135)
WG COVID Allocations	(114,376)	0	0
WG Allocations	(1,164,441)	0	0
GRAND TOTAL M12	0	553	(37)
GRAND TOTAL Previous month	0	(273)	(590)

As noted in Section 5.6 above, the Delegated position was forecast to be a £11.4m overspend at year end and the actual overspend of £13.1m was £1.7m worse than forecast. A detailed review will be undertaken to understand the key reasons for the M12 movements from forecast, any recurring impacts for 22/23 and also any learning points for the finance teams and budget holders.



6.3 Pay Expenditure trends

The M12 Pay expenditure was £82.7m and the monthly trend is summarised below.

	M12	M11	M10	M9	M8	M7	M6	M5	M4	M3	M2	M1
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
A&C	10.7	7.2	7.5	6.9	6.7	6.7	7.9	6.6	6.4	6.7	6.6	6.4
Medical	20.6	13.2	13.5	12.8	12.9	12.7	13.7	12.7	11.8	11.7	11.9	12.1
Nursing	26.7	17.0	17.5	16.9	17.9	16.1	17.7	16.1	15.2	15.1	15.8	15.6
ACS	10.5	6.7	7.1	6.7	6.7	6.8	7.1	6.2	6.0	5.9	6.9	6.4
Other	14.2	8.9	8.9	9.0	8.9	8.6	9.6	8.9	8.6	8.5	8.7	8.8
Total	82.7	53.0	54.4	52.3	53.1	50.9	56.0	50.5	48.0	47.9	49.9	49.3

The Key issues to highlight are as follows:

- The M1 position was broadly consistent with the previous 3 months, after taking account of the following comments:
 - The M12 position includes additional accruals for NHS Pensions, NHS Staff bonus, Annual Leave not taken & study leave, which total £52m.
 - Medical costs include £3.6m of accountancy gains in M10 and £0.4m in M11, which would increase the gross position to £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).
- The M2 position remained consistent with M1, the only movement was within Additional Clinical Services, where bank costs caused an increase of £0.5m on M1.

- The M3 position was £2m lower than M2 with the main reductions being seen in Nursing £0.7m and ACS £1.0m. This was due to reductions in the payments for overtime in M3.
- The M4 position remained consistent with M3 with no significant movements.
- The M5 position increased by £2.5m over M4. The main reason for this increase was a new charge of £1.9m for the additional costs for annual leave on overtime to 31 March 21, which has been calculated on an All Wales basis. The M5 position also included a corresponding assumed allocation for this amount.
- The M6 position increased by £5.5m compared to M5. After allowing for the £1.9m additional one off costs for annual leave on over time, the net increase was £7.4m. This was primarily attributed to the national pay award of 3% being applied in M6, including arrears back to April 21.
- The total expenditure in M7 of £50.9m represented a £1.5m over the M4 spend of £48.0m after uplifting for 3% inflation. The main increases were Additional Clinical Services (ACS) £600k (9.7%), Medical & Dental (M&D) £500k (4.1%) and Nursing £400k (2.5%). The most significant increase was seen in ACS and this was attributed to the impact of increased overtime rates in M7.
- The M8 spend of £53.1m was a £2.2m increase over M7 and £1.8m of this increase was seen in Nursing. The most significant impacts in M8 were:
 - Write back of NHS Bonus £(1.0)m
 - Recognition of holiday pay on overtime £1.2m
 - Increase in overtime following new overtime arrangements £1.1m
 - Increased Nurse Agency costs to support capacity in Bridgend locality £0.8m
- The accrual that was recognised in 2020/21 for the NHS COVID bonus was £13.4m. Total payments to M6 was £12.4m (M5: £12.4m) for NHS employed staff. The £1m benefit has been returned to WG and the £1m write back was released in M8.

- The M9 position decreased by £0.8m compared to M8. The main reason for this decrease was a reduction in registered nursing agency costs as a result of difficulties in filling shifts.
- The M10 position increased by £2.1m over M9. The main reason for the increase was the additional 1% non consolidated lump sum pay award of £2.1m which was paid in M10.
- The M11 position decreased by £1.4m compared to M10. After allowing for the £2.1m non consolidated payment in M10, the real M11 position was a £0.7m increase. The most notable increases were M&D £0.4m and A&C £0.2m.
- The M12 position increased by £29.7m over M11. This increase was primarily due to additional pension charges of £24.9m plus an additional annual leave accrual of £3.9m.

The M12 agency expenditure was £5.5m and the monthly trend (excluding accountancy gains) is summarised below.

	M12	M11	M10	M9	M8	M7	M6	M5	M4	M3	M2	M1
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Medical	1.4	1.1	1.2	1.0	1.3	1.3	1.2	1.2	1.2	1.0	1.0	1.3
Nursing	2.6	2.2	2.6	1.6	2.2	1.4	1.6	1.5	1.7	1.5	1.5	1.4
Other	1.5	1.0	1.2	1.3	0.9	0.9	0.8	0.8	0.9	0.8	0.7	0.8
Total	5.5	4.3	5.0	3.6	4.4	3.6	3.6	3.5	3.8	3.3	3.2	3.5

Agency costs significantly increased in M12 across all three categories with the M12 total of £5.5m being over £1m higher than the average of the previous 3 months. This increase is consistent with 20/21 when the M12 agency cost was also over £1m higher than the average for Dec, Jan and Feb.



6.4 Revenue Performance by Area

	Annual Budget £'000	Over/(Under) Spend		Year to Date %
		Current Month £'000	Year to Date £'000	
Integrated locality groups:				
Bridgend	210,852	1,022	5,478	2.60
Merthyr & Cynon	215,800	41	(688)	(0.32)
Rhondda & Taff Ely	225,789	943	1,976	0.88
Total ILGs	652,441	2006	6,766	1.04
Delivery Executive:				
Medicines Management	131,667	(355)	2,961	2.25
Primary care	140,903	492	(424)	(0.30)
Facilities	15,347	(136)	2,007	13.08
COVID Planned projects	1,974	562	811	41.08
Planned Care Recovery plans	8,511	(1,777)	(1,777)	-20.88
Other	2,529	(75)	(83)	(3.28)
Total Delivery Executive	300,931	(1,288)	3,495	1.16
Contracting & Commissioning	139,445	1,528	4,031	(0.86)
Corporate Functions	102,879	624	(1,193)	3.92
Total Delegated Budgets	1,195,695	2,870	13,098	1.09
Non Delegated budgets	(1,195,695)	(2,317)	(13,135)	
GRAND TOTAL M12	0	553	(37)	
GRAND TOTAL Previous month	0	(273)	(590)	

As noted in Section 5.6 above, the Delegated position was forecast to be a £11.4m overspend at year end and the actual overspend of £13.1m was £1.7m worse than forecast. A detailed review will be undertaken to understand the key reasons for the M12 movements from forecast, any recurring impacts for 22/23 and also any learning points for the finance teams and budget holders.



6.5 Covid Position

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

	M12 Year end actual
Programme costs	£m
TTP	12.6
Mass Vaccination	13.5
Extended Flu	1.0
Cleaning standards	1.3
CHC/FNC support	0.8
PPE	2.9
Long COVID	0.8
Sub total	32.9
Other Covid costs:	
Field hospital	3.0
Dental income loss	3.0
Operational expenditure cost reductions	(2.2)
Other Covid costs	31.1
Planned Care Recovery Tranche 1	15.0
Planned Care Recovery Tranche 2 (inc NRS, PACU & Community Health)	5.8
Annual Leave	3.9
Sub total	59.6
Total Covid costs	92.5
Confirmed Funding	(114.4)
Total	(21.9)



6.6 Savings Performance by Area

The financial plan for 2020/21 included a £14.5m In Year savings target and a £16.1m recurring savings target.

	Month 12			Month 11		
	M12 YTD	21/22	Rec	M11 YTD	21/22	Rec
	£m	£m	£m	£m	£m	£m
Savings targets	14.5	14.5	16.1	12.6	14.5	16.1
Actual and Forecast Savings	(12.5)	(12.5)	(5.0)	(11.5)	(12.6)	(5.4)
Total	2.0	2.0	11.1	1.1	1.9	10.7

The key points to highlight are as follows:

- The actual savings for 21/22 was £12.5m (M11: £11.5m) compared to an annual target of £14.5m.
- The actual recurrent savings for 21/22 was £5.0m (M11:£5.4m) compared to a recurrent savings target of £16.1m. The forecast recurrent shortfall in savings delivery is therefore £11.1m.

A summary analysis by ILG, service area and corporate directorates is provided below:



Area	In year Savings Target £000	M12 YTD Actual £000	Variance	% of Current Year Forecast to Target
Bridgend ILG	4,031	3,338	693	82.8%
Merthyr & Cynon ILG	3,609	2,760	849	76.5%
Rhondda & Taf ILG	3,924	3,042	882	77.5%
Medicines Management	1,752	1,010	742	57.6%
Primary Care	138	139	(1)	100.7%
Corporates	835	758	77	90.7%
Other Delivery Executive	170	4	166	2.4%
Contracting & Commissioning	90	0	90	0.0%
Non Delegated	0	1,497	(1,497)	
Grand Total	14,549	12,548	2,001	86.25%
Area	Recurrent Savings Target £000	M12 FYE Actual £000	Variance	% of Current Year Forecast to Target
Bridgend ILG	4,031	1,390	2,641	34.5%
Merthyr & Cynon ILG	3,609	664	2,945	18.4%
Rhondda & Taf ILG	3,911	956	2,955	24.4%
Medicines Management	2,708	1,000	1,708	36.9%
Primary Care	213	0	213	0.0%
Corporates	1,337	782	555	58.5%
Other Delivery Executive	263	0	263	0.0%
Contracting & Commissioning	139	0	139	0.0%
Non Delegated	(110)	160	(270)	
Grand Total	16,100	4,952	11,148	30.76%



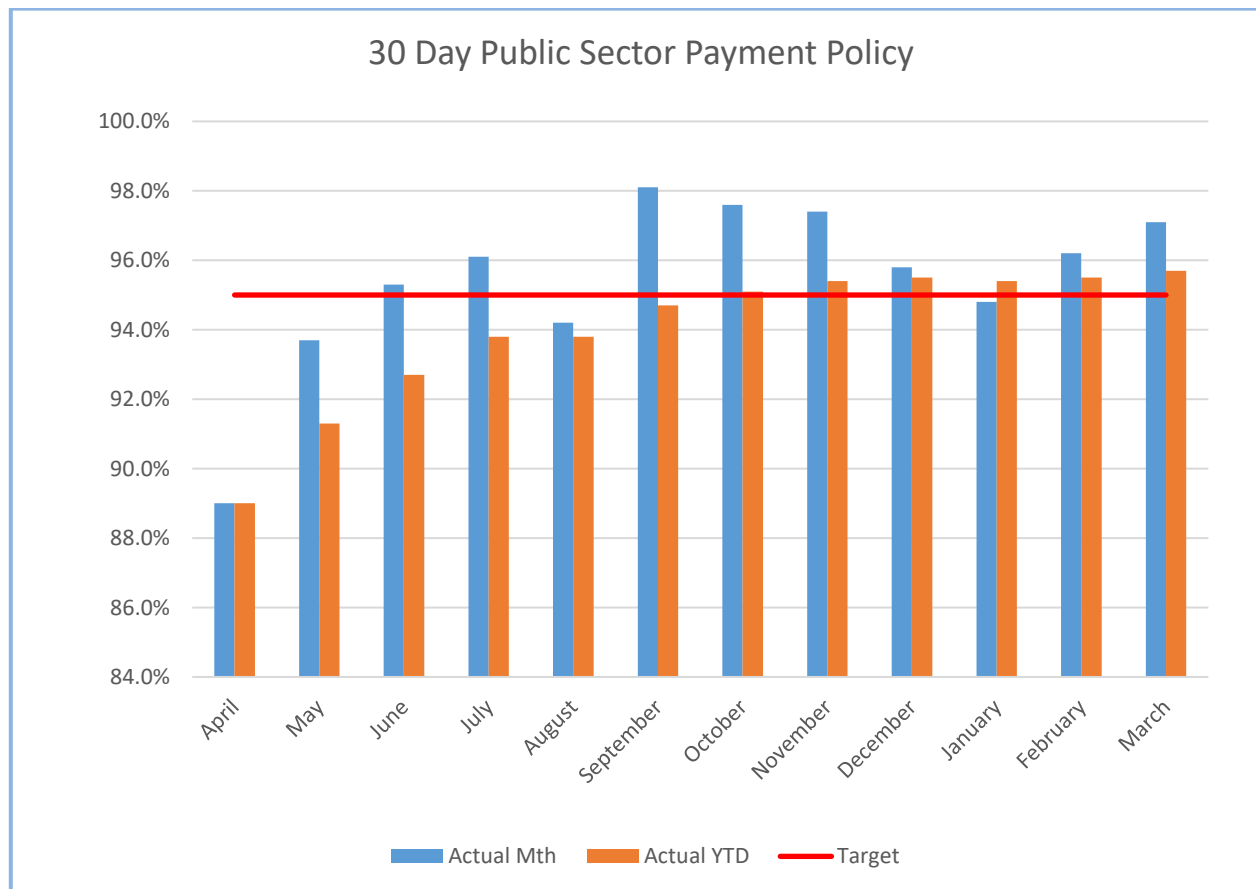
7. IMPACT ASSESSMENT

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 If more than one Healthcare Standard applies please list below:
Equality Impact Assessment (EIA) completed - Please note EIAs are required for <u>all</u> new, changed or withdrawn policies and services.	No (Include further detail below) If yes, please provide a hyperlink to the location of the completed EIA or who it would be available from in the box below. If no, please provide reasons why an EIA was not considered to be required in the box below.
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 Strategic Goals	Sustaining Our Future

APPENDIX A

Public Sector Prompt Payment (PSP) 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 in March was 97.1%.
- The M12 YTD percentage is 95.7%, which is above the target value of 95%.
- The Health Board achieved the 95% public sector payment target for 2021/22.



APPENDIX B

Balance Sheet

The Month 12 Balance sheet is detailed below:

Balance Sheet	Opening Balance (01/04/2021) £'000	Closing Balance as at M11 £'000	Closing Balance as at M12 £'000	Forecast Closing Balance M12 £'000
Non Current Assets				
Property, Plant & Equipment	549,909	579,880	603,876	603,876
Intangible Assets	4,150	4,150	3,589	3,589
Trade and Other Receivables	39,298	39,298	42,295	42,295
Total Non-Current Assets	593,357	623,328	649,760	649,760
Current Assets				
Inventories	6,061	6,409	6,856	6,856
Trade and Other Receivables	124,984	103,974	92,524	92,524
Cash and Cash Equivalents	687	8,083	438	438
Total Current Assets	131,732	118,466	99,818	99,818
Current Liabilities				
Trade and Other Payables	175,210	173,831	174,486	174,486
Provisions	49,579	45,244	28,654	28,654
Total Current Liabilities	224,789	219,075	203,140	203,140
Non-Current Liabilities				
Trade and Other Payables	1,143	1,143	981	981
Provisions	45,680	45,680	49,583	49,583
Total Non-Current Liabilities	46,823	46,823	50,564	50,564
TOTAL ASSETS EMPLOYED	453,477	475,896	495,874	495,874
Financed By:				
General Fund	404,625	427,044	433,341	433,341
Revaluation Reserve	48,852	48,852	62,533	62,533
TOTAL	453,477	475,896	495,874	495,874

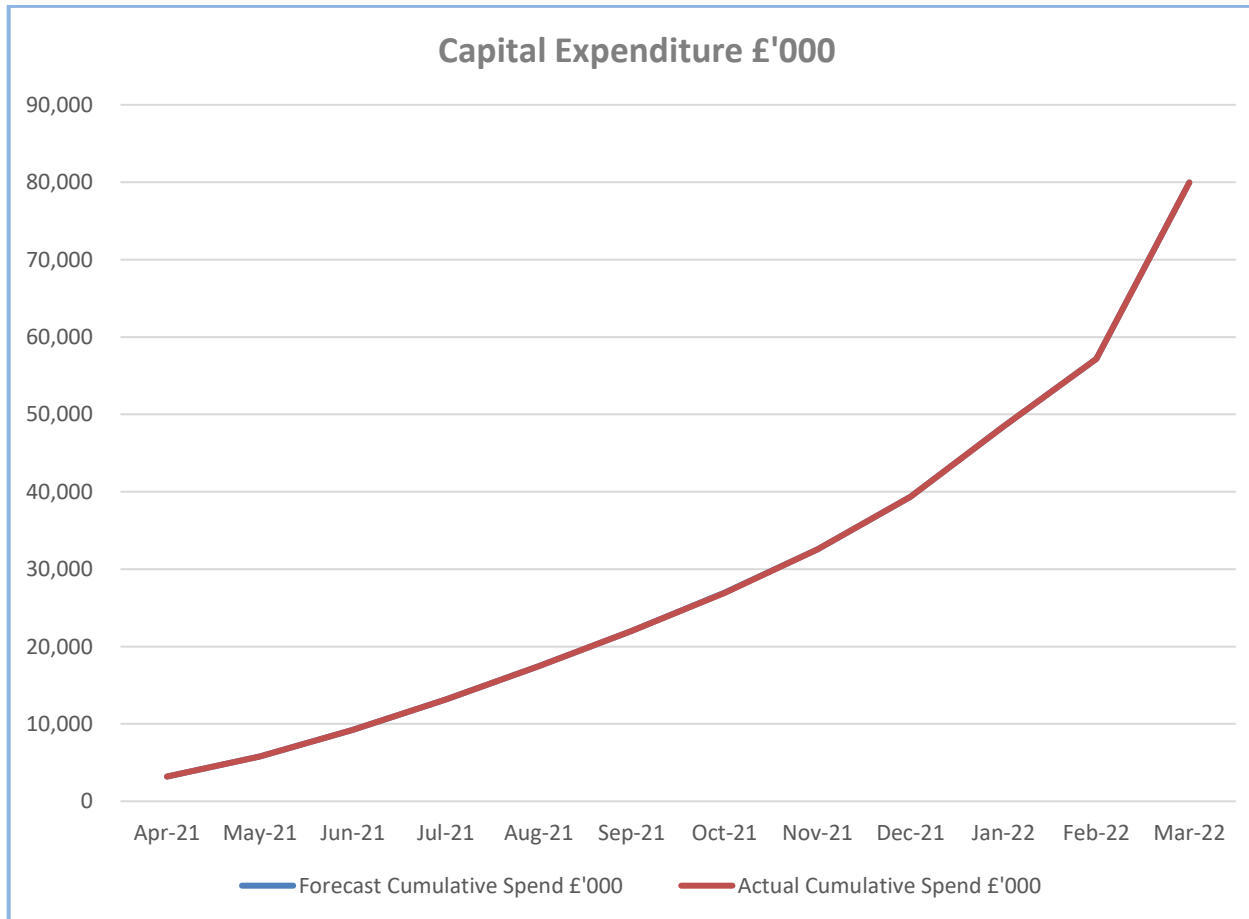
Key Issues:

- The closing cash balance at M12 was £0.4m.
- The value of Provisions has reduced by £17.0m from M11 largely as a result of the change in the quantum for one Clinical Negligence case. This also accounted for a similar reduction in receivables.
- The increase in Property, Plant & Equipment reflects the recognition of capital expenditure in M12.



APPENDIX C

Performance against Capital Resource Limit



Key Issues:

- The Capital Resource Limit of £79.2m was issued on the 5th April 2022.
- The Health Board is reporting a draft surplus of £42k against the CRL for 2021/22.



APPENDIX D

Cash position

The monthly cash flow is detailed in the table below:

Cashflow	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	90,592	84,776	99,547	107,200	89,625	100,204	186,320	116,125	2,058	95,801	106,892	129,010	1,208,150
Funding													
WG Capital Funding	5,500	3,000	4,000	6,300	3,500	7,100	12,000	1,000	0	7,000	9,750	16,034	75,184
Sale of Assets	0	24	(4)	0	0	(15)	0	0	65	49	(40)	6	85
Welsh NHS Org'ns	21,950	9,746	12,834	13,714	9,265	11,772	8,693	8,945	10,729	9,687	9,409	11,675	138,419
Other	5,251	14,562	2,363	2,143	3,561	2,059	2,165	3,722	3,275	1,452	6,868	5,682	53,103
Total Receipts	123,293	112,108	118,740	129,357	105,951	121,120	209,178	129,792	16,127	113,989	132,879	162,407	1,474,941
Payments													
Primary Care Services	27,093	7,811	20,087	26,774	7,152	18,401	15,892	16,534	28,839	8,727	17,147	17,714	212,171
Salaries and Wages	43,069	54,707	51,906	47,419	56,951	51,799	44,045	49,276	49,790	50,757	49,847	52,630	602,196
Non Pay Expenditure	47,435	43,850	43,359	50,953	36,790	44,741	40,927	48,421	46,461	51,859	50,397	78,871	584,064
Capital Payments	4,725	3,689	3,634	4,331	4,070	5,313	4,188	5,104	6,022	3,170	11,676	20,837	76,759
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Payments	122,322	110,057	118,986	129,477	104,963	120,254	105,052	119,335	131,112	114,513	129,067	170,052	1,475,190
Net Cash In/Out	971	2,051	(246)	(120)	988	866	104,126	10,457	(114,985)	(524)	3,812	(7,645)	
Balance B/F	687	1,658	3,709	3,463	3,343	4,331	5,197	109,323	119,780	4,795	4,271	8,083	
Balance C/F	1,658	3,709	3,463	3,343	4,331	5,197	109,323	119,780	4,795	4,271	8,083	438	

Key Issues

- The closing cash balance at M12 was £0.438m.
- £10m of 'available' cash was not drawn down from WG (Revenue £6m, Capital £4m).