

1. APPENDIX 3 - FINANCE - 2021/22 TO 2023/24

The financial plan for 2021/22 to 2023/24 builds on the current Cwm Taf Morgannwg UHB plan and is based on the funding confirmed in the 2021/22 allocation letter.

1.1 STATUTORY FINANCIAL DUTY

Cwm Taf Morgannwg UHB has a statutory duty to achieve break even over a period of 3 financial years. This applies to revenue and capital expenditure. Performance against the 3-year rolling duty for revenue is summarised below:

Revenue:	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21
	£k	£k	£k	£k	£k	£k
Surplus /(deficit)	22	18	23	25	883	88
Rolling 3 years		70	63	66	931	987

1.2 UPDATE ON FINANCIAL PERFORMANCE IN 2020/21

The Health Board has recently submitted its M12 Monitoring Returns to Welsh Government. This showed a forecast breakeven position for 2020/21 and a forecast recurrent deficit of £33.9m. This is the starting point for our medium term financial plan for the three year period 2021/22 to 2023/24:

	£m
Planned recurrent deficit	13.4
Shortfall in savings delivery in 2020/21 due to Covid-19	16.2
Other forecast recurrent overspends due to Covid-19	4.3
Total	33.9

1.3 FINANCIAL STRATEGY

The key underlying financial strategy objectives remain as in previous years, as follows:-

- To achieve breakeven in each financial year, and to gradually reduce the level of recurrent deficit to achieve recurrent breakeven within the period of the 3 year plan.
- To achieve year on year reductions in premium workforce costs and premium planned care costs (waiting list initiatives and outsourcing).
- To achieve year on year improvements in efficiency, quality and value (outcomes relative to cost), including through population health management initiatives.
- To utilise financial improvement to re-invest in improving service quality and outcomes wherever possible.
- To achieve closer alignment over time between the needs based formula funding allocations from the Welsh Government, and our actual use of resources, and so improve equity of resource use.

However, current circumstances necessitate some particular areas of focus during 2021/22, as follows:-

- The requirement for planned care recovery makes investment in population health management and in value based healthcare more important than ever in order to focus the resources we have on the interventions which will make the most difference to patient outcomes. Productivity and efficiency in planned care remain very important, but with a focus

of maximising the impact of both our current planned care resources and additional resource we may be able to agree with the Welsh Government.

- We need to respond to continuing Covid related requirements and pressures in a way that is safe and effective, but also increasingly factors in value for money and sustainability considerations as immediate pressures reduce and decision-making can be made in a more considered way.

The key actions within the finance function, to support and deliver the strategy, remain as before, with a particular focus on developing an analysis of potential opportunities for improvement in efficiency and value aligned to ILGs.

1.4 OVERALL FINANCIAL PLAN FOR 2021/22

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

- Covid response – Section 1.5
- Planned care recovery- Section 1.6
- The core plan- Section 1.7

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

Summary of Core Plan, Covid, & Planned Care Recovery	Q1	Q2	Q3	Q4	Total
	£m	£m	£m	£m	£m
Core plan	5.1	5.1	5.1	5.1	20.5
Covid plan	-5.1	-5.1	-5.1	-5.1	-20.5
Planned care recovery plan	0.0	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0	0.0
Cumulative total	0.0	0.0	0.0	0.0	

This shows 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.

The plan includes a number of risks and uncertainties which span the core plan and also the estimated costs for Covid and Planned care recovery (**see Section 1.13**). These risks and cost estimates will continue to be refined and updated during 2021/22.

A key issue beyond 2021/22 is the recurrent impact of the plan in 2022/23, when it is likely that the non-recurring funding for Covid will end as well as transformation funding. This will require a focus on the various improvement actions identified to reduce the recurrent deficit below the £31.4m reflected in the current draft plan.

1.5 COVID RESPONSE COSTS

The table below shows the assessment of our Covid response costs and income assumptions for 2021/22.

Covid costs and funding 2021/22	Q1	Q2	Q3	Q4	Total
	£m	£m	£m	£m	£m
Programme costs:					
TTP	3.0	2.8	3.2	3.1	12.1
Mass Vaccination	3.7	2.3	2.3	2.2	10.5
Cleaning Standards	0.4	0.6	0.6	0.6	2.1
CHC/FNC Support	0.9	0.9	0.9	0.9	3.6
PPE	0.6	0.5	0.3	0.3	1.7
Extended Flu	0.0	0.0	0.3	0.2	0.5
Long COVID	0.1	0.1	0.1	0.1	0.5
Sub total	8.7	7.1	7.7	7.4	30.9
Assumed funding- programme element	-8.7	-7.1	-7.7	-7.4	-30.9
Total	0.0	0.0	0.0	0.0	0.0
Other Covid costs:					
Field Hospital	1.2	0.9	0.6	0.3	3.0
Dental -income loss/reduced contract payments	0.4	0.3	0.6	0.5	1.9
Planned care exp're reductions	-0.8	-0.5	0.0	0.0	-1.3
Covid response in ILGs	5.3	4.7	4.1	3.8	17.9
Covid response outside ILGs	1.4	1.1	0.8	0.8	4.1
Increase in Covid response costs to reflect revised assessment of bed demand	0.0	0.0	2.8	2.8	5.5
Sub total	7.5	6.5	8.9	8.1	31.1
Confirmed funding- formula element	-7.5	-6.5	-6.1	-5.9	-26.1
Requested additional funding	0.0	0.0	-2.8	-2.3	-5.0
Total	0.0	0.0	0.0	0.0	0.0
Requested funding for Covid overspends from 2020/21	-5.1	-5.1	-5.1	-5.1	-20.5
Total	-5.1	-5.1	-5.1	-5.1	-20.5

The key assumptions driving the forecast costs are as follows:

- Provides capacity for testing and contact tracing through 21/22.
- The vaccination team is assumed to be retained after July but not primary care vaccination.
- Long COVID-19 service and cleaning standard costs are included. Cleaning standard plans/costs are as planned internally but will be subject to the national review process.
- Care home support assumed to continue at the 2020/21 projected level of cost.
- Dental contract payments assumed to continue at 90% for Q1 and Q2 and dental income shortfalls assumed to taper down as the year progresses.
- Ysbyty'r Seren is closed as a Field Hospital in Q1, with work to move other functions in Q2/3.
- The provision made for the Covid response in ILGs and in other areas is based on an assessment of additional costs being incurred, partly in relation to service changes linked to COVID-19 and partly linked to increased staff absence.
- Residual underspends on planned care/cancer consumables and drugs for Q1 and Q2, based on actual underspends to Month 2.
- A most likely scenario of COVID-19 admissions remaining very low. However, review of the WG modelling has flagged a significant risk of the current increase in overall length of stay (which is 12% for CTM) remaining through 21/22. Provision for a response to this has been made in Q3/4 at an estimated net cost of £5.5m. There is an offset to this from Long Covid costs now being funded on a programme basis, giving a net cost increase of £5.0m. COVID-19

funding is requested to meet these costs. This includes additional out of hospital capacity, keeping Ysbyty'r Seren open in Q3 and Q4 plus additional bed capacity and Paediatrics RSV surge plans. This estimate assumes that the costs of continuing with the existing Same Day Emergency Care schemes are funded. It is assumed that Long Covid costs will be reviewed further in light of the Welsh Government statement and may need to increase above the £0.5m now treated as a programme cost.

1.6 PLANNED CARE RECOVERY

The detailed summary of the financial implications of the Planned Care Recovery Plan are set out in Section 6.5, demonstrating what is planned to be delivered with the £16.8m allocated by the Welsh Government, and what could be delivered over and above that if additional resources can be made available.

1.7 CORE PLAN

The core financial plan for 2021/22 builds on the current Health Board plan and is based on the funding confirmed in the 2021/22 allocation letter. The key assumptions driving the financial plan for the next three years are summarised below:

- A 2020/21 recurrent deficit of £33.9m, which is the starting point for the 2021/22 plan. This includes a £16.2m shortfall against the 2020/21 savings plan resulting from Covid and £4.3m of additional cost pressures, in addition to the originally planned 2020/21 recurrent deficit of £13.4m. Additional cost pressures identified by ILGs and Clinical Service Groups are greater, but it has been agreed that these will need to be managed back to this level.
- Additional recurring allocations from Welsh Government of £20.2m for 2021/22 followed by £18.5m and £18.9m per annum for each of the next two years. The 2021/22 increase includes a 2% general allocation uplift, and we have assumed similar uplifts in the two following years.
- Agreed additional non-recurring allocations from Welsh Government of £11.7m in 2021/22. This includes allocations for the Health Board's Transformation programmes (£7.0m), Targeted Intervention response costs (£2.6m), plus existing Invest to save scheme grants (£2.1m).
- Anticipated additional non-recurring allocations from Welsh Government of £7.0m in 2021/22 for investment in Think 111 first, Urgent primary care and SDEC.
- Provision for recurring inflation, cost and service pressures of £29.4m in 2021/22, £29.3m in 2022/23 and £28.1m in 2023/24. The 2021/22 increase includes £14.3m for pay rises, incremental drift and inflation plus £15.1m for other service and demand pressures.
- The 2021/22 plan includes £1.0m for new recurring investment in service improvement plus £0.75m for enabling investments. The service improvement investment is largely committed to the reconfiguration of vascular surgery, which is a broader South East Wales programme and its exact financial impact is still being assessed. The enabling investments relate largely to improvement capability (including population health, VBHC and ICT) and are critical to the delivery of the medium term financial plan.
- The plan also includes non-recurring costs equivalent to the non-recurring allocations for the Transformation programmes (£7.0m), Targeted Intervention (£2.6m), investments in primary care and emergency care (£7.0m) plus a number of other non-recurring costs and benefits with a net benefit of £(10.5)m in 2021/22.
- Recurring savings of £16.1m are planned in 2021/21. This is circa 2% of an estimated controllable budget for CTM of circa £800m. It would still leave a recurrent deficit at the end of 2021/22 of £31.4m. Unless Welsh Government allocations were to increase at a greater rate in years 2 and 3, savings would need to be greater in these years. The total recurring savings requirement required over the three years would be £73.6m (9.2%). In addition, a cost release of £6.2m is required in

order for the recurrent costs of the planned transformation of out of hospital services to be financially sustainable from 2022/23 after transformation funding stops in March 2022.

- The overall plan is showing a £20.5m deficit for 2021/22 and a £18.3m deficit for year 2 before returning to a breakeven position/surplus in year 3. The underlying deficit planned for the end of 2021/22 is £31.4m and this reduces to £16.6m in year 2 before achieving breakeven within the period of the 3 year plan.

The 3 year financial plan is shown in the table below, with costs and deficits shown as positive numbers and income and surpluses as negative numbers.

	2021/22 - 2023/24 SUMMARY FINANCIAL PLAN									
	2021/22			2022/23			2023/24			Total
R = recurring NR = non recurring	R	NR	Total	R	NR	Total	R	NR	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Brought forward recurring deficit/-surplus	33.9		33.9	31.4		31.4	16.6		16.6	
Income changes										
Share of core un-earmarked growth monies	-18.6	0.0	-18.6	-19.0	0.0	-19.0	-19.4	0.0	-19.4	-56.9
Additional funding:										
Mental Health services	-2.4	0.0	-2.4	0.0	0.0	0.0	0.0	0.0	0.0	-2.4
Primary Care and Emergency care	-0.3	-7.0	-7.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
Transformation programmes	0.0	-7.0	-7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Invest to Save funding	0.0	-2.1	-2.1	0.0	0.0	0.0	0.0	0.0		0.0
Invest to Save repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0
Targeted Intervention funding	0.0	-2.6	-2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
All Wales top slices	1.1	0.0	1.1	0.5	0.0	0.5	0.5	0.0	0.5	2.1
Estimated repayment of AME funding for retrospective CHC claims received in prior years which crystallise in 19/20	0.0	0.5	0.5	0.0	0.5	0.5	0.0	0.5	0.5	0.0
Estimated new AME funding for new retrospective CHC claims provided for in 19/20	0.0	-0.5	-0.5	0.0	-0.5	-0.5	0.0	-0.5	-0.5	0.0
WG funded developments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub total income changes	-20.2	-18.7	-38.8	-18.5	0.0	-18.5	-18.9	0.5	-18.4	-59.6
Cost pressures and investments										
Pay rises, incremental drift and inflation	14.3	0.0	14.3	14.3	0.0	14.3	14.3	0.0	14.3	42.9
Service and demand pressures	15.1	0.0	15.1	15.0	0.0	15.0	13.8	0.0	13.8	43.9
Service improvement - locally determined	1.0	0.0	1.0	1.5	0.0	1.5	2.0	0.0	2.0	4.5
Service improvement - nationally funded	2.7	7.0	9.7	0.0	0.0	0.0	0.0	0.0	0.0	2.7
Out of Hospital Partnership Transformation Fund	0.0	7.0	7.0	6.2	0.0	6.2	0.0	0.0	0.0	6.2
Health Board Transformation Fund		0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0
Other Non-recurring costs	0.0	2.4	2.4	0.0	4.2	4.2	0.0	3.7	3.7	0.0
Other Non-recurring benefits	0.0	-12.9	-12.9	0.0	-3.5	-3.5	0.0	-3.5	-3.5	0.0
Enablers (Digital, Value, Business partnering)	0.8	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.8
Targeted Intervention response costs	0.0	2.6	2.6	1.0	0.0	1.0	0.0	0.0	0.0	1.0
Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sub total cost pressures and investments	33.8	6.1	39.9	38.0	1.7	39.7	30.1	0.2	30.3	101.9
Efficiency & re-design savings - 20/21 shortfall	-13.1		-13.1			0.0			0.0	-13.1
Efficiency and re-design savings as originally planned	-23.1	0.0	-23.1		0.0	0.0		0.0	0.0	-23.1
Reduction to a deliverable level of savings	20.1	1.6	21.7			0.0			0.0	20.1
Planned savings			0.0	-28.2		-28.2	-28.8		-28.8	-57.0
Cost release from transformation programmes				-6.2		-6.2				-6.2
Sub total	-16.1	1.6	-14.5	-34.4	0.0	-34.4	-28.8	0.0	-28.8	-79.3
Total change on previous year	-2.5	-11.0	-13.4	-14.8	1.7	-13.1	-17.6	0.7	-16.9	-37.0
Revised surplus/deficit	31.4	-11.0	20.5	16.6	1.7	18.3	-1.0	0.7	-0.3	38.4

The key elements of the Core Plan are explained in the following sections:

1.8 INCOME CHANGES – 2021/22 TO 2023/24

A summary of the assumed new allocations from the Welsh Government for 2020/21 to 2022/23 is shown in the table below:

	21/22 £m	22/23 £m	23/24 £m
Recurrent:			
Core un-earmarked growth monies	(18.6)	(19.0)	(19.4)
Investment in Primary care	(0.3)	0	0
Additional resources for Mental health 2021-22	(2.4)	0	0
All Wales top slices	1.1	0.5	0.5
Total Recurrent	(20.2)	(18.5)	(18.9)
Non recurrent:			
Transformation programmes	(7.0)	0	0
Invest to Save funding	(2.1)	0	0
Invest to save repayments	0	0	0.5
Targeted Intervention (TI) funding	(2.5)	0	0
Investment in primary care and emergency care	(7.0)	0	0
Estimated repayment of prior year AME funding for retrospective CHC claims which crystallise in 2021/22	0.5	0.5	0.5
Estimated new AME funding for new retrospective CHC claims provided for in 2020/21	(0.5)	(0.5)	(0.5)
Total non-recurrent	(18.6)	0	0.5
Grand Total	(38.8)	(18.5)	(18.4)

The key points to highlight are as follows:

1.8.1 Core Un-Earmarked Growth Monies

The individual items making up the assumed recurrent funding are summarised below:

	21/22 £m	22/23 £m	23/24 £m
2% cost growth uplift	(18.6)	(19.0)	(19.4)
A4C pay awards	tbc	tbc	tbc
DDRB pay awards	tbc	tbc	tbc
Total	(18.6)	(19.0)	(19.4)

1.8.2 All Wales top slices

The Health Board has supported a number of All Wales initiatives in previous years in areas such as paramedic banding, non-medical education, postgraduate medical education, 111 roll out etc. The following additional top slices have been included in the 2021/22 Allocation Letter:

	21/22 £m	22/23 £m	23/24 £m
111	1.1	0	0
Provisional estimate	0	0.5	0.5
Total	1.1	0.5	0.5

1.8.3 Regional Partnership Transformation Programme

A summary of the income and spend for the two Transformation programmes: Stay Well in Your Community (SWYC) in partnership with RCT and MTCBC, and Accelerating the Pace of Change of Integrated Services (APCIS) in partnership with BCBC are provided below:

	21/22		22/23	
	Recurrent £m	Non Recurrent £m	Recurrent £m	Non Recurrent £m
WG funding	0	(7.0)	0	0
Expenditure plans	0	7.0	6.2	0
Increased demand for beds- Section 1.9.8	1.5	0	0	0
Cost release from Transformation programmes – Section 1.10	0	(4.7)	(6.2)	0
Total	1.5	(4.7)	0	0

The combined requirement from the two programmes is a cost release from existing models of care of £6.2m in 2022/23.

The 2019/20 financial plan included a £1.7m provision for increased demand from unscheduled care admissions and associated growth in bed days. A further provision of £1.5m was built into the financial plan for 2020/21 and also into the 2021/22 plan. Provided the Health Board can manage within its existing bed base, through admissions avoidance enabled through the new out of hospital services and through improved length of stay, the planning assumption is that the recurring reserve by 2022/23 will provide a £4.7m recurring contribution to the £6.2m required for the transformation sustainability plan. The balance of £1.5m will need to be delivered through bed reductions enabled by the impact of the out of hospital investment in reducing emergency admissions, or (as a fall back) by scaling back the level of out of hospital investment.

1.8.4 Targeted Intervention

The Welsh Government has provided non recurrent financial support in 2019/20 and 2020/21 for actions to address the Health Board's Targeted Intervention Status. Financial support of £2.6m has also been confirmed by the Welsh Government for 2021/22 to continue the enabling activities and service improvements which were started in 2019/20:

- This supplements over £2m of Health Board funded recurrent investment in clinical leadership capacity and quality governance and improvement which was committed to from 2019/20.
- TI funding from 22/23 is expected to be minimal, and the Health Board plan to fund within its plan the elements of the 2021/22 activities which it considers need to continue on a recurrent basis. These are estimated at present to have an annual cost of £1.0m.
- This recurrent investment includes investment in CTM improvement and in developing an improved capability to support Value Based Healthcare and Population Health Management, which are critical for the Health Board to plan and deliver the quality based financial

improvement which is highlighted through the IMTP and is a major component of the medium term savings plan.

1.8.5 Anticipated allocations for investment in primary care and emergency care

The financial plan includes the following anticipated allocations for investment in primary care and emergency care:

	21/22 £m	22/23 £m	23/24 £m
Think 111 first	2.5	0	0
Urgent primary care centres	2.2	0	0
SDEC	2.3	0	0
Total	7.0	0	0

1.8.6 Potential Additional Allocations

Likely additional Welsh Government allocations for specific purposes, over and above the core 2% uplift and the specific 2021/22 allocation increases for primary care, have generally yet to be confirmed and so have been excluded from the plan.

1.9 INFLATIONARY, SERVICE DEMAND AND COST PRESSURES

The table below shows the projected inflationary, demand and other cost pressures for the next three years, which are anticipated to be fairly stable over this period.

Inflation and other cost pressures	21/22 £m	22/23 £m	23/24 £m
Inflation			
Pay rises and incremental drift	7.5	7.5	7.5
Community pharmacy	0.5	0.5	0.5
CHC inflation	1.2	1.2	1.2
NHSFNC inflation	0.3	0.3	0.3
Non-pay inflation	2.2	2.2	2.2
LTA inflation – core 2%	2.6	2.6	2.6
Subtotal	14.3	14.3	14.3
Service and demand pressures			
CHC growth	1.2	1.4	1.4
Primary care prescribing	1.8	2.3	2.3
Community pharmacy	0	0	0
NICE	2.3	3.5	3.5
Nurse Staffing Act	0.9	1.2	0
Internal cost/demand/service pressures	4.5	3.0	3.0
Claims WRP	0.4	0.1	0.1
WHSCC demand and cost pressures	2.9	3.0	3.0
EASC demand and cost pressures	1.1	0.5	0.5
Subtotal	15.1	15.0	13.8
Total	29.4	29.3	28.1

The basis for the above estimates is outlined below:

1.9.1 Pay cost inflation

Pay rises and incremental drift	21/22 £m	22/23 £m	23/24 £m
Wage awards – A4C staff 1%	4.3	4.3	4.3
A4C incremental drift	0.7	0.7	0.7
Medical and dental pay- 1%	1.4	1.4	1.4
Medical and dental incremental drift	0.3	0.3	0.3
Consultant commitment awards	0.3	0.3	0.3
Estimated inflation on external agency costs @1.5-2%	0.5	0.5	0.5
Total	7.5	7.5	7.5

Pay cost pressures have been assessed to remain broadly stable over the three years of the plan.

1.9.2 Continuing Health Care (CHC) and NHS Funded Nursing Care (FNC)

The Health Board currently spends circa £48m per annum on external CHC placements. The anticipated cost increases for each year of the plan have been based on average price inflation of circa 2.5% per annum (£1.2m) and volume growth of circa 2.5% per annum (£1.2m). The plan also includes £0.3m per annum for NHSFNC price inflation.

1.9.3 Non Pay Inflation

The plan includes a non-pay inflation estimate of £2.2m (circa 2.0%) per annum for each of the 3 years.

1.9.4 LTA Inflation

Provision has been made for a 2% per annum tariff increase on all income and expenditure LTAs over the three years of the plan at a net cost of £2.6m per annum.

1.9.5 Primary Care Prescribing

The financial plan assumes growth in primary care prescribing costs of £1.8m for 2021/22 which is based on the estimated growth provided by the Medicines Management directorate. The financial plan assumes annual growth of £2.3m per annum for year 2 and year 3 of the Plan, matched by a corresponding savings target for the same value.

1.9.6 Community Pharmacy

The financial plan includes £0.5m per annum for growth in community pharmacy expenditure costs over the next three years. The £0.5m for 2021/22 was confirmed in the WG Allocation Letter.

1.9.7 NICE and New High Cost Drugs

The cost of NICE technical appraisals and nationally adopted high cost drugs has been a significant cost pressure in recent years. The latest planning assumption is an annual increase of £2.3m for 2021/22 followed by £3.5m per annum for each of the next 2 years. This takes account of a small slowing down of both new NICE assessments and also reduced demand growth linked to Covid, and includes:

- Internal NICE growth within CTM (£1.3m)
- Anticipated financial impact of growth in NICE and other high cost drugs for CTM residents at Velindre Trust and other Health Boards (£1.0m).

1.9.8 Local Cost, Demand and Service Pressures

A £4.5m provision has been made in the financial plan for 2021/22 to cover local cost, demand and service pressures. The key areas are summarised below:

	2021/22 £m	2022/23 £m	2023/24 £m
Demand and activity growth across Integrated locality Groups	2.1	2.1	2.1
Other non-activity related cost pressures	0.9	0.9	0.9
Increased demand for beds (See Section 1.8.3)	1.5	0	0
Total	4.5	3.0	3.0

1.9.9 Welsh Risk Pool (WRP)

The cost of clinical negligence and other claims previously met by the Welsh Risk Pool have been met by Health Boards since 2015/16. A risk sharing arrangement has been put in place such that all costs are shared between LHBs proportionate to their shares of the devolved budget.

The new risk sharing arrangement resulted in an additional cost pressures for Health Boards in 2020/21 and the CTM share was circa £1.7m. The latest information from NWSSP is indicating a charge to CTM in 2021/22 of £2.1m. The plan includes provision for an additional £0.4m in 2021/22 plus a further £0.1m per annum for each of the following 2 years.

1.9.10 WHSSC Demand and Cost Pressures

The financial plan includes a sum of £2.9m for WHSSC demand and cost pressures in 2021/22 followed by £3.0m per annum for each of the following two years. The latest plans from WHSSC, agreed at the Joint Committee, require additional investment of £2.9m in 2021/22 which is in line with the Health Board's financial planning assumption. This is in addition to the 2% funding for inflation of £2.0m.

1.9.11 EASC Demand and Cost Pressures

The financial plan includes a sum of £1.1m for EASC demand and cost pressures in 2021/22 followed by £0.5m per annum for each of the following two years. The latest agreed estimates from EASC are that they require an additional £1.1m in 2021/22 which is in line with the CTM financial planning assumption. This is in addition to the 2% funding for inflation of £0.5m.

1.10 INVESTMENT IN SERVICE IMPROVEMENT

The following table sets out the planned investments over the three year period:

Service improvement	21/22	22/23	23/24
Non Recurring investment:	£m	£m	£m
Health Board Transformation Fund	0	1.0	2.0
Transformation programmes (See Section 1.8.3)	7.0	0	0
Actions to address TI status required recurrently after Welsh Government TI support funding has ended (See Section 1.8.4)	2.6	0	0
Investment in primary care and emergency care (See Section 1.8.5)	7.0	0	0
Total Non- Recurring investment	16.5	1.0	2.0
Recurring investment:	£m	£m	£m
Locally determined developments	1.0	1.5	2.0

Transformation programmes (See Section 1.8.3)	0	6.2	
Actions to address TI status required recurrently after Welsh Government TI support funding has ended (See Section 1.8.4)	0	1.2	0
Investment in Mental Health services – nationally funded (See Section 1.8)	2.4	0	0
Investment in Primary care - nationally funded (See Section 1.8)	0.3	0	0
Enablers (Digital, Value, Business partnering)	0.8	0	0
Total Recurring investment	4.5	8.9	2.0

1.10.1 Service Improvement – Locally Determined

The financial plan for 2021/22 includes £1.0m for locally determined investment decisions. The planned allocation of this £1.0m is set out below.

Service improvement	21/22 £m
Recurring investment:	
Vascular reconfiguration (net additional cost - initial estimate being refined)	0.65
Early cancer diagnosis and cancer management development (already approved by Management Board)	0.35
Total Recurring investment	1.0

1.10.2 Enabling investment

The plan includes £0.8m for further investment in enablers for improvement. The exact use of this budget will be decided shortly but the key areas of priority are as follows:-

- CTM improvement (including Value Based Healthcare)
- Population health
- ICT and informatics
- Business partnering support to ILGs in some areas

1.11 OTHER NON RECURRING COSTS AND BENEFITS

Non Recurring costs	2021/22 £m	2022/23 £m	2023/24 £m
Retrospective CHC claims (matched with assume WG income)	0.5	0.5	0.5
Laboratory Information Network Cymru Programme (LINC) costs	0.2	0.7	0.7
Radiology Information system procurement (RISP)	0.1	0.1	0.1
Equipment replacement	0	0.5	0.5
Invest to Save – Records digitisation	1.0	1.4	0.8
Other non-recurring costs, including change management	0.6	0.9	1.1
Total	2.4	4.1	3.7

Non Recurring benefits	2021/22 £m	2022/23 £m	2023/24 £m
Release of recurrent reserve for increased demand for beds (See Section 1.8.3)	(4.7)	0	0
Slippage on investments	(2.0)	(1.0)	(1.0)
Accountancy gains	(6.2)	(2.5)	(2.5)
Total	(12.9)	(3.5)	(3.5)

1.12 MEDIUM TERM SAVINGS PLAN 2020/21 TO 2022/23

The following table sets out the planned savings over the three year period:

	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Recurring efficiency and redesign savings	(16.1)	(28.2)	(29.3)	(73.6)
Non recurring abatement of savings targets in 2021/22	1.6	0	0	1.6
Recurrent cost release resulting from transformation investment	0	(6.2)	0	(6.2)
Grand Total	(14.5)	(34.4)	(29.3)	(78.2)

Recurring savings of £16.1m are planned in 2021/21. This is circa 2% of an estimated controllable budget for CTM of circa £800m. It would still leave a recurrent deficit at the end of 2021/22 of £31.4m. Unless Welsh Government allocations were to increase at a greater rate in years 2 and 3, savings would need to be greater in these years. The total recurring savings requirement required over the three years would be £73.6m (9.2%).

The plan also includes £6.2m of cost reductions resulting from transformation investment. Of this £4.7m is assumed to be cost avoidance (£1.7m in 2019/20, £1.5m in 2020/21 and £1.5m in 2021/22), and £1.5m from absolute cost reduction in 2021/22 (see section 1.8.3).

1.12.1 Savings Plans for 2021/22

Further information on the latest savings plans for 2021/22 has been provided in a separate Annex and is summarised below:

	20/21	Recurrent
	£m	£m
Savings targets	14.5	16.1
Forecast Savings – Green & Amber schemes only	(13.6)	(7.9)
Total	0.9	8.2

In addition to the Green and Amber schemes noted above, we have also identified a further £1.6m of other potential savings schemes which are currently shown as Red schemes, which should contribute to closing the remaining £0.9m gap for 21/22.

1.13 KEY RISKS TO THE 2021/22 FINANCIAL PLAN

The key risks to the 2021/22 financial plan are summarised in the following table. The table shows the worst case position (as per the WG financial templates) and also a more realistic probability adjusted risk which applies probability assessments to the worse case position:

Table 1 Risk Assessment of 2021/22 financial plan	Plan Assumption £m	Worse Case Risk £m	Probability %	Probability Adjusted Risk £m
Savings delivery risks:				
Shortfall against planned savings delivery.	14.5	4.0	50	2.0
Cost pressure risks:				
Recurring deficit brought forward cannot be brought back in line with the level assumed in the plan	33.9	6.0	50	3.0
Unavoidable recurring service and demand pressures are greater than plan estimate(key risk area are CHC rising back and Primary care prescribing)	15.1	2.0	50	1.0
Unavoidable costs of the Transformation programmes exceeding the confirmed WG funding for 2021/22	7.0	3.0	70	2.1
Surplus / Deficit before contingencies		16.0		8.1
Delay/stop new investments where possible		-1.0	25	-0.25
Further balance sheet review within 21/22		-2.5	50	-1.25
Potential for annual leave accrual reduction greater than costs of annual leave taken		-2.0	50	-1.0
Surplus / Deficit after Contingencies		11.5		5.6

The plan also assumes that there will be no adverse financial impact from the introduction of the new IFRS16- Accounting for finance leases.

1.13.1 Financial Risk Management Plans for 2021/22

The key elements of this are as follows:-

- Development of a more detailed risk management plan as part of Q1 detailed planning and budget setting.
- Key enablers include:
 - Increased focus on control and governance, aligned with a programme of prioritised zero based budget setting.
 - Development of CTM improvement, and value based healthcare.

1.14 KEY RISKS TO THE FINANCIAL PLAN IN YEARS 2 AND 3

The key risk for the later years is the 21/22 recurrent deficit currently planned of £31.4m. Unless there is increased recurrent funding from the Welsh Government (i.e. beyond the 2% uplift), then this will be require greater efficiency savings and re-alignment of the use of resources of around 3.5% per annum as set out in the plan.

A further risk is around the sustainability of out of hospital transformation investment from 2022/23 once Welsh Government transformation funding ends. The Health Board is fully aware of this and further work is being done with partners to externally review and improve sustainability plans.