



AGENDA ITEM

2.18.1

CTM BOARD

FINANCE UPDATE – MONTH 12 of 2019/20

Date of meeting	28/05/2020
FOI Status	Open/Public
If closed please indicate reason	Not Applicable - Public Report
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Approving Executive Sponsor	Executive Director of Finance & Procurement
Report purpose	FOR DISCUSSION / REVIEW

Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/group)

Committee/Group/Individuals	Date	Outcome
Welsh Government	24/04/2020	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 2019/20

1. SITUATION/BACKGROUND

The purpose of this report is to highlight the key messages in relation to the current month, year to date and forecast year-end financial position of Cwm Taf Morgannwg (CTM) University Health Board as at Month 12 (M12).

This report should be read in the context of the CTM Integrated Medium Term Plan for 2019/20 to 2021/22 which is available on the website.

The IMTP was approved by the Board on 28 February and was approved by the Welsh Government on 26th 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 was that the Bridgend boundary change should not destabilise the financial balance and performance record of the former Cwm Taf Health Board. The IMTP therefore assumed that the impact of any deficit attributed to Bridgend would be neutral to the new organisation. Our assessment as at April 2019 of the financial impact on CTM was a recurring deficit (after economies of scale) of £7.4m, excluding the performance and demand & capacity issues referred to below. Detailed budgets were set on this basis and the financial plan was updated to include assumed funding for the £7.4m recurring deficit transferred.

The outcome of the arbitration process was received on 13 August 2019. This confirmed a £7.1m non-recurring allocation for 2019/20 to enable the Board to develop the required financial plan and mitigating actions to be put in place for future years. We have previously highlighted that there was a potential risk that further adjustments may be made to the £7.1m non-recurring allocation when the due diligence work was completed. A £2m non-recurring allocation reduction was subsequently made in M10.

b. Performance and RTT targets

Our work on the financial impact assessment of the Bridgend boundary change also highlighted that Bridgend had 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 was 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
- an 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. 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. The revised savings targets are as follows:

	In year savings target	Recurrent savings target
	£m	£m
Former Cwm Taf	7.5	7.8
Bridgend	2.5	3.0
Total	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 necessitated the plan being reviewed and updated. The key changes were discussed at the Health Board development session on 27 June and agreed at the Health Board meeting on 31 July. The key changes are summarised below:

	Former CT		Bridgend		CTM	
	In year	Recurring	In year	Recurring	In Year	Recurring
	£m	£m	£m	£m	£m	£m
Original plan	0	-0.4	0	-0.2	0	-0.6
Total changes	-1.0	2.1	1.0	2.0	0.0	4.1
Bridgend recurrent deficit after econs of scale			7.4	7.4	7.4	7.4
Assumed allocation change			-7.4	-7.4	-7.4	-7.4
Revised Financial plan	-1.0	1.7	1.0	1.8	0.0	3.5

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.

Report Sections

The following sections are included in this report:

Section No.	Section	Page Number
2	Headline Messages @ Month 12	7
Summary Analysis		
3.1	Financial Performance and Key Targets	9
3.2	Revenue Performance by Expenditure Category	10
3.3	Revenue Performance by Division	14

2. HEADLINE MESSAGES

2.1 Headline Messages - Month 12

The overall Income and Expenditure position improved in M12 with an under spend of £91k in month giving rise to a M12 YTD underspend of £90k. This YTD underspend includes a delegated overspend of £19,897k offset by an under spend on non-delegated budgets of £19,987k. The delegated overspend includes a shortfall in savings delivery of £6.1m plus other overspends on pay, non-pay and income of £13.8m. Further details are provided in Section 3.2.

The M11 YTD delegated overspend was £17.1m which represented an average monthly overspend of £1.5m. The M12 delegated overspend was £2.8m but this included additional costs associated with Covid-19 of £1.3m. The balance of £1.5m therefore represents a holding of the monthly trend position.

The following areas of concern are highlighted with further information in Sections 3.2 and 3.3.

a. Savings delivery

Actual savings of £10.3m have been reported against the Delegated savings target of £16.4m resulting in an adverse variance against plan of £6.1m. This variance reduces to £(0.3)m after allowing for the £7.0m savings contingency:

	19/20	Recurring
	£m	£m
Delegated Savings targets	16.4	16.4
Reported Savings - all Delegated	(10.3)	(9.2)
Shortfall	6.1	7.2
Non Delegated Savings target	0.6	0.6
Savings contingency	(7.0)	(5.2)
Total	(0.3)	2.6

Whilst the 19/20 savings of £10.3m are slightly above the savings target of £10m, the recurring savings are still £2.6m below the recurring savings target of £11.8m. The recurring savings position has been relatively static during the year and has remained between £8.7m and £9.2m since M3.

b. Forecast recurring deficit going into 2020/21

We reported a forecast recurring deficit of £11.9m at M11 and highlighted that a final review of the forecast recurrent deficit was being undertaken to inform our updated IMTP submission at the end of March. Following this review, the recurrent deficit was subsequently increased to £17.9m and this is the starting point for our medium term financial plan for the three year period 2021/22 to 2022/23:




	£m
Planned recurrent deficit	3.5
Unplanned BG recurrent deficit	7.4
Forecast recurrent overspends from bottom up directorate forecasts	6.0
Total	17.9

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

3.1 Financial Position and Key Targets – Month 12

The Health Board has a statutory duty to achieve 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 performance against these key financial targets:

Target	Unit	Current Month	Year to Date	Trend	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	(91)	(90)		Achieved
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	1,875	(24)		Achieved
Public Sector Payment Policy To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance	%	96.9%	95.5%		Achieved



3.2 Revenue Performance by Expenditure Category

	Annual Budget £'000	Over/(Under) Spend			
		Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000
Delegated Budgets					
Pay	523,278	628	6,085		
Non Pay	635,473	1,483	6,556		
Income	(149,500)	485	1,171		
Delegated Savings Plans	(6,084)	159	6,083		
Total Delegated Budgets	1,003,168	2,756	19,897		
Non Delegated Budgets	62,630	(2,847)	(19,987)		
WG Allocations	(1,065,797)	(0)	(0)		
GRAND TOTAL M12	0	(91)	(90)		17,900
GRAND TOTAL M11	0	(305)	(1)		11,900

Further information on the current month, YTD and forecast positions are provided below.



Current Month

- The overall Income and Expenditure position improved in M12 with an under spend of £91k. This position includes a delegated overspend of £2,756k offset by an under spend on non-delegated budgets of £2,847k. The delegated overspend includes a shortfall in savings delivery of £0.2m plus other overspends on pay, non-pay and income of £2.6m. This included additional costs associated with Covid-19 of £1.3m.
- The most significant current month overspends within the total Pay overspend of £0.63m are as follows:
 - Acute Medicine £0.5m – (Nursing £272k and £178k Additional Clinical Services)
 - ACT £0.10m- (Nursing £88k)
 - POW Delivery Unit £0.51m (Nursing £239k, Medical £139k and Additional Clinical Services £145k)
 - Pathology £0.10m (Medical £32k and Scientific £57k)
 - Localities £0.18m – (Nursing £100k, Additional Clinical Services £40k and Allied Health Professional £30k)
 - CYP £0.13m- (Medical £91k, A&C £16k and Additional Clinical Service £14k)
 - CAMHS £0.12m - (Medical £281k, Additional clinical services £28k and Nursing & Midwifery £53k)
 - ICT £0.33m – (A&C £349k)
- The most significant current month overspends within the total Non Pay overspend of £2.0m are as follows:
 - POW Delivery Unit- Clinical support £0.2m (Clinical Supplies & Services £108k and Private Providers £50k)
 - Pathology £0.2m – (Clinical Supplies & Services £159k and Premises & Fixed Plant £28k)
 - Medicines Mgt £0.93m (Prescribing £920k)
 - Estates £0.35m- (Utilities & Rates £390k)
 - ICT £0.44m – (IT Maintenance £202k and Services from NHS £280k)
- The most significant current month overspends within the total Income overspend of £0.5m are as follows:
 - POW Delivery Unit – Surgical services £0.33m – Cardiff & Vale Agreements
 - CAMHS £0.35m – WHSSC LTA Variance
 - Primary Care £0.54m – Dental Income and Budget adjustment to Non Pay
 - Contracting & Commissioning £0.27m- Injury Cost Recovery Scheme adjustment



Year to Date

- The M12 YTD position includes a delegated overspend of £19.9m offset by an under spend on non-delegated budgets of £20.0m. The delegated year to date overspend includes a shortfall in savings delivery of £6.1m plus other overspends on pay, non-pay and income of £13.8m.
- The most significant YTD overspends within the total Pay overspend of £6.1m are as follows:
 - Acute Medicine and A&E £2.3m (Additional clinical services £1.7m, Nursing & Midwifery £0.43m and A&C £0.2m)
 - ACT £0.4m (Nursing & midwifery £0.3m and Additional clinical services £0.1m)
 - O&G - £0.3m (Medical £0.12m, Nursing & Midwifery £0.15m)
 - POW Delivery Unit £5.4m (Medical £2.7m, Additional clinical services £1.9m and Nursing & Midwifery £1.3m)
 - Pathology £1.1m (Medical £0.6m and Healthcare Scientists £0.4m)
 - CAMHs £0.7m (Admin & Clerical £0.4m and Additional clinical services £0.3m)
 - CYP £0.5m (Medical £0.8m)
 - ICT £0.5m (Admin & clerical £0.6m)

The total Pay overspend of £6.1m includes a £6.5m overspend on Additional clinical services and a £2.6m underspend on Nursing & midwifery plus a £2.9 overspend on Medical and Dental.

- The most significant YTD overspends within the total Non pay overspend of £7.1m are as follows:
 - Acute Medicine and A&E £0.9m – Secondary care drugs £0.81m and M&S Supplies £0.1m
 - POW Medicine £0.9m – Appliances £0.3m, M&S supplies £0.44m and £0.1m Secondary care drugs
 - Pathology £0.6m – Lab Equipment £0.2m M&S £0.1m, Office Equipment/ICT £0.1m and SLAs £0.1m
 - Radiology £0.3m- Reporting £0.3m
 - Facilities £1.2m – Waste &Transport £0.5m, Catering £0.3m, Building & Engineering £0.1m, Housekeeping £0.1m Postage £0.07m, Laundry £0.06m
 - Mental Health £0.4m – Continuing Healthcare £0.2m and Drugs £0.2m
 - Medicines Mgt £3.0m – Primary Care Prescribing £3m
 - Estates £0.6m – B&E £0.3m and Utilities £0.4m
 - ICT - £0.5m – Services from other NHS £0.3m and ICT Maintenance £0.2m
- The most significant YTD overspends within the Income overspend of £1.2m are as follows:
 - POW Surgical services £0.8m- C&V Surgical Services SLA £0.8m
 - CYP £0.3m– Flying Start Income from Local Authorities £0.3m
 - CAMHS - £0.4m – WHSSC £0.25m, Local Authorities £0.1 and LHB Income £0.1m
 - Contracting & Commissioning £2.3m- ABUHB LTA under performance £0.85m, Swansea Bay LTA under performance £0.95m, Non Contracted Activity £0.4m and Injury cost recovery £0.6m



In Year and Recurring forecasts

Recurrent forecast

- The £11.9m reported deficit at M11 was consistent with the 'control totals' set for individual directorates and was aligned with the Performance meetings that commenced in M7 with the CEO. These control totals required a £10.8m improvement from the M6 forecast recurrent deficit of £22.7m. The M11 forecast recurrent deficit was £16.7 and further improvements of £4.8m were still needed in order to meet the £11.9m target.
- The £11.9m forecast recurring deficit was reported at M11 and we highlighted that a final review of the forecast recurrent deficit was being undertaken to inform our updated IMTP submission at the end of March. Following this review, the recurrent deficit was subsequently increased to £17.9m and this is the starting point for our medium term financial plan for the three year period 2021/22 to 2022/23:

	£m
Planned recurrent deficit	3.5
Unplanned BG recurrent deficit	7.4
Forecast recurrent overspends from bottom up directorate forecasts	6.0
Total	17.9



3.3 Revenue Performance by Division

	Annual Budget £'000	Over/(Under) Spend			
		Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000
Chief Operating Officer:					
Unscheduled Care	89,932	414	3,403		
Planned Care	115,372	24	1,069		
POW Delivery Unit	101,521	920	8,229		
Clinical Support	61,348	305	1,871		
Facilities	37,188	641	2,508		
Total COO	405,361	2,304	17,080		
PCMH:					
Primary & Community	224,572	287	1,507		
Mental Health	77,770	(393)	(1,495)		
Medicines Management	123,338	638	2,686		
Total PCMH	425,680	1,101	2,698		
Contracting & Commissioning	97,915	(3)	1,300		
Corporate Functions	74,211	(80)	(1,182)		
GRAND TOTAL M12	1,003,168	2,755	19,897		
GRAND TOTAL M11	1,000,101	1,463	17,142		



Current Month and Year To Date

- The above table shows the M12 and M12 YTD positions by Division rather than by Expenditure categories as in Section 3.2 above.
- The main M12 YTD overspends , expressed as a % of budget are as follows:
 - POW Delivery Unit 8.1%, Facilities 6.75%, Unscheduled Care 3.8% & Clinical Support 3.0%.
- The main M12 YTD underspends , expressed as a % of budget are as follows:
 - Mental Health 1.9% & Corporate Functions at 1.7%.



4. IMPACT ASSESSMENT

Quality/Safety/Patient Experience implications	There are no specific quality and safety implications related to the activity outlined in this report.
Related Health and Care standard(s)	Governance, Leadership and Accountability
Equality impact assessment completed	Not required
Legal implications / impact	There are no specific legal implications related to the activity outlined in this report.
Resource (Capital/Revenue £/Workforce) implications / Impact	Yes (Include further detail below)
	The paper is directly relevant to the allocation and utilisation of resources.
Link to Main Strategic Objective	To provide strong governance and assurance
Link to Main WBFG Act Objective	Service delivery will be innovative, reflect the principles of prudent health care and promote better value for users

5. RECOMMENDATION

The Board is asked to:

- **DISCUSS** the contents of the Month 12 Finance report for 2019/20.