AGENDA ITEM
2.18.2

CTM BOARD

FINANCE UPDATE – MONTH 1 of 2020/21

Date of meeting	28/05/2020
FOI Status	Open/Public
If closed please indicate reason	Not Applicable - Public Report
Prepared by	Mark Thomas, Deputy Director of Finance
Presented by	Steve Webster, 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	19/05/2020	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 1 of 2020/21

1. SITUATION/BACKGROUND

The purpose of this report is to highlight the key messages in relation to the current month, year to date and forecast year-end financial position of Cwm Taf Morgannwg (CTM) University Health Board as at Month 1 (M1).

This report should be read in the context of the CTM Integrated Medium Term Plan for 20120/21 to 2022/23 which is available on the website.

The IMTP was approved by the Board on 26 March 2020. The following key issues are highlighted in relation to the financial plan for 2019/20:

a. Bridging funding and TI support

- The Welsh Government has indicated that it is supportive of the Health Board assuming £5m bridging funding from the WG in 2020/21, and that funding is assumed in this Monitoring Return. Similarly the WG has indicated that the Health Board should anticipate continued TI funding in 2020/21. Funding of £3.5m was assumed in the IMTP, but pending clarification from WG, the M1 position assumes funding at the same level as in 2019/20 (£3.0m).
- During 2019/20, the Transformation Team at WG confirmed their agreement to re-profile £2.9m of our Transformation funding between 2019/20 and 2020/21. We are seeking confirmation that this funding will be re-provided to CTM in 2020/21.

b. Covid-19 and the New Operating Model

- In addition to the impact of Covid-19, it is important to note that M1 is the first month of reporting under the New Operating Model which has involved a very significant reallocation of budgets and budget responsibilities etc. These two changes are likely to present financial reporting challenges for a number of months

The following sections are included in this report:

Note 1: Please note that this is a shortened version of the usual finance report prepared for Board. A full report will be provided for M2 which will include the detailed information noted above.

2. KEY RISKS/HEADLINE MESSAGES

2.1 Headline Messages - Month 1

The reported position for M1 is an over-spend of £6.1m with £6.0m being attributed to Covid-19:

	Total Variance	Covid position	Non Covid position
	£k	£k	£k
Pay	2,282	1,445	838
Non Pay	677	2,538	(1,861)
Income	856	666	190
CRES	1,443	1,443	0
Total Delegated	**5,229**	**6,092**	**(833)**
Non Delegated	859	(89)	948
Grand total	**6,118**	**6,003**	**115**
Forecast	**50,667**	**50,667**	**0**

Covid position

It is important that the Health Board properly identifies the additional costs relating to Covid patients and providing healthcare for all patients in a Covid environment. A summary of the additional Revenue and Capital costs is provided below and a more detailed breakdown of the M1 and forecast Covid costs is included at Section 3.2:

	Q1	Q2	Q3	Q4	Total
Area of cost impact	**£m**	**£m**	**£m**	**£m**	**£m**
Operational expenditure increases(including revenue set-up costs)	13.9	10.5	9.6	9.6	43.6
Impact on savings delivery	4.8	4.8	3.0	3.0	15.6
Operational expenditure decreases due to reduced planned care activity	(2.2)	(1.2)	(1.2)	(1.2)	(5.8)
Slippage on planned investments/repurposing of development funding	(0.8)	(0.6)	(0.6)	(0.6)	(2.6)
Total Revenue	**15.7**	**13.5**	**10.7**	**10.8**	**50.7**
Total Capital (including project delays)					**12.9**
Grand Total					**63.7**

It is important to highlight that the degree of uncertainty surrounding the forecast additional costs for Q2-Q4 is much higher than Q1, where M1 provides a reasonable baseline for estimating M2 and M3 costs.

The WG is supportive of the measures all Health Boards have taken to respond to Covid-19, and has indicated that it will provide financial support for this (both capital and revenue). However, the costs across Wales are very significant and at this stage WG cannot confirm that all forecast costs will be able to be funded. There is therefore a risk that the organisation's operational revenue costs of addressing the pandemic cannot be contained within available revenue funding resulting in an unplanned I&E deficit in 2020/21, and a parallel risk of unfunded additional capital costs resulting in the Capital Resource Limit being exceeded in 2020/21.

There is also a risk to the recurrent financial position going into 2021/22. This risk may apply even if the 2020/21 costs of Covid are funded non recurrently by Welsh Government.

Non Covid position

A summary of the Non Covid variances by area and by expenditure category is provided in Section 3.2 below. Further work is needed to fully understand the reasons for the delegated pay overspends of £838k and the delegated non pay underspends of £1,861k to ensure the classification of costs between Covid and Non Covid are correct.

Non Delegated position

The key reasons for the £948k overspend are as follows:

	Total Variance	Covid position	Non Covid position
	£k	£k	£k
Shortfall v recurrent CRES targets	111	111	0
Shortfall v non cecurrent slippage/Non pay expenditure reduction targets of £2m	167	0	167
Slippage on planned investments /repurposing of development funding	(200)	(200)	0
Additional provision for optimism bias in the M1 Non Covid /Non pay reported surplus of £1.8m	763	0	763
Other variances	18	0	18
Total	**859**	**(89)**	**948**

Savings

The financial plan for 20/21 includes an annual savings target of £20.6m which represents a monthly target of circa £1.7m. The reported shortfall at M1 is £1.55m which represents M1 savings of circa £150k.

The forecast position includes estimated savings of circa £5m for the full year, based on a high level assumption of around 40% of planned savings being delivered over October to March, with the forecast shortfall of £15.6m being attributed to Covid.

Further work is needed to consider the timing and initial key steps for returning to efficiency savings plans and more broadly improvement and innovation changes and also moving forward on value based healthcare. From a financial perspective, this is important to help minimise the financial impact of Covid-19 in 2020/21, but very importantly, also to limit the recurrent impact going into 2021/22. It is also very important for maximising our more limited service capacity to meet patient needs.

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

3.1 Revenue Performance by Area and by Expenditure category

	Current Period						COVID Reported Costs						NON COVID Reported Costs					
Service Division	PAY	NON PAY	INCOME	CRES	OTHER	TOTAL	PAY	NON PAY	INCOME	CRES	OTHER	TOTAL	PAY	NON PAY	INCOME	CRES	OTHER	TOTAL
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
DELEGATED BUDGETS																		
Bridgend ILG	847	(919)	293	458	0	680	614	(361)	212	458	0	923	233	(558)	81	0	0	(243)
Merthyr & Cynon ILG	583	(256)	24	309	0	659	348	13	0	309	0	670	235	(269)	24	0	0	(10)
Rhondda & Taf ILG	587	(646)	29	385	0	355	340	(184)	0	385	0	541	247	(462)	29	0	0	(186)
Medicines Management	47	(274)	16	0	0	(211)	0	0	0	0	0	0	47	(274)	16	0	0	(211)
Primary Care & Transformation	26	(84)	464	51	0	457	18	(13)	454	51	0	510	8	(71)	10	0	0	(53)
Delivery Executive	61	3,009	4	53	0	3,127	60	3,129	0	53	0	3,242	1	(120)	4	0	0	(115)
Corporate Exectutives	131	(81)	8	113	0	172	65	27	0	113	0	205	66	(108)	8	0	0	(33)
Contracting & Commissioning	0	(72)	18	75	0	21	0	(73)	0	75	0	2	0	1	18	0	0	19
TOTAL DELEGATED BUDGETS	**2,282**	**677**	**856**	**1,443**	**0**	**5,259**	**1,445**	**2,538**	**666**	**1,443**	**0**	**6,092**	**838**	**(1,861)**	**190**	**0**	**0**	**(833)**
NON DELEGATED BUDGETS																		
Capital Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Control & Reserves	(0)	731	18	111	0	859	0	0	0	111	(200)	(89)	(0)	731	18	0	200	948
Non Cash Limited	0	0	0	0	332	332	0	0	0	0	0	0	0	0	0	0	332	332
WG Allocations	0	0	0	0	(332)	(332)	0	0	0	0	0	0	0	0	0	0	(332)	(332)
TOTAL NON DELEGATED BUDGETS	**301**	**98**	**18**	**111**	**332**	**859**	**0**	**0**	**0**	**111**	**(200)**	**(89)**	**(0)**	**731**	**18**	**0**	**200**	**948**
TOTAL POSITION	**2,583**	**775**	**874**	**1,554**	**332**	**6,118**	**1,445**	**2,538**	**666**	**1,554**	**(200)**	**6,003**	**837**	**(1,130)**	**208**	**0**	**200**	**115**

3.2 Covid Expenditure

	1	2	3	4	5	6	7	8	9	10	11	12		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total YTD	Forecast year-end position
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Vale	1,531	326	95	90	10	420	0	0	0	0	0	0	**1,531**	**2,472**
Bridgend	951	701	193	100	84	94	94	94	94	94	94	274	**951**	**2,867**
Marsh House NH	47	202	170	170	170	160	160	160	160	160	160	160	**47**	**1,879**
Abergarw NH	55	193	164	164	164	154	154	154	154	154	154	154	**55**	**1,818**
Internal Capacity	68	68	68	68	68	68	68	68	68	68	68	68	**68**	**815**
Elective Red	(648)	(648)	(500)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	**(648)**	**(4,042)**
Private Patient Income	160	187	183	183	183	183	183	183	183	183	183	183	**160**	**2,177**
PPE	24	43	43	43	43	43	43	43	43	43	43	43	**24**	**499**
Med Staff	380	406	406	406	406	396	396	396	396	396	396	396	**380**	**4,778**
Free Food	225	225	30	30	30	30	30	30	30	30	30	30	**225**	**746**
Staff Acc	10	15	13	0	0	0	0	0	0	0	0	0	**10**	**38**
Staff Transport	0	4	4	0	0	0	0	0	0	0	0	0	**0**	**8**
Patient transport	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Staff Welfare	3	0	0	0	0	0	0	0	0	0	0	0	**3**	**3**
Consultant Connect	0	45	25	25	25	25	25	25	25	25	25	25	**0**	**295**
Resp Path	0	35	33	33	33	33	33	0	0	0	0	0	**0**	**200**
IT	40	249	111	89	51	51	51	51	51	51	51	51	**40**	**897**
Project Management	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Staff testing	0	0	50	50	50	50	50	50	50	50	50	50	**0**	**500**
Testing COVID 19	0	25	130	130	130	130	150	150	150	150	150	150	**0**	**1,445**
Excess Deaths	15	15	15	15	15	15	0	0	0	0	0	0	**15**	**90**
Other	1,788	1,765	1,712	1,784	1,674	1,674	1,674	1,589	1,589	1,589	1,589	1,589	**1,788**	**20,020**
SUBTOTAL	**4,649**	**3,856**	**2,945**	**3,130**	**2,886**	**3,277**	**2,862**	**2,744**	**2,744**	**2,744**	**2,744**	**2,924**	**4,649**	**37,507**
CRES	1,554	1,600	1,600	1,600	1,600	1,600	1,000	1,000	1,000	1,000	1,000	1,000	**1,554**	**15,554**
Slippage	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	**(200)**	**(2,400)**
TOTAL	**6,003**	**5,256**	**4,345**	**4,530**	**4,286**	**4,677**	**3,662**	**3,544**	**3,544**	**3,544**	**3,544**	**3,724**	**6,003**	**50,661**

The figures shown in the Covid cost projection above are only very high level top down estimates. We will need to develop bottom up forecasts in each ILG and for central budgets which are based on agreed shared assumptions on the key drivers of expenditure, including the following:-

- Swabbing and testing capacity and test numbers and associated costs, including the Health Board contribution to mass testing centres
- Projected covid-19 and non-Covid demand, with associated workforce and financial implications
- Plans for re-introducing planned care activity, and the associated activity levels, capacity provided, workforce and costs
- Decisions on retaining/stopping/phasing out special arrangements during Covid which are not directly linked to Covid-19 demand
- Plans for re-starting work on efficiency, productivity and pathway re-design schemes
- Absence rates to sickness and self-isolation or shielding

The key areas where revenue expenditure and income in Q1 are projected to diverge from the originally approved financial plan are outlined below, with an outline of the key drivers and projected impacts in each area.

Operational expenditure increases

- Field hospitals and nursing homes. An outline of set-up costs is included in the capital expenditure section below. It is planned to consolidate on the Bridgend field hospital by the end of Q1, with fixed operating costs (but no staffing costs or consumables) being incurred during the quarter.

- Acute hospital ward staffing costs are higher than plan in April, largely due to expansion of critical care capacity and increased staff absence, including self-isolation. It is expected that these staffing costs will increase in May and June, as a consequence largely of additional bed requirements. These are projected to result from the associated increase in admissions (up circa 20% to date) and USC bed use resulting from increased ED attendances (49% of pre-covid levels to mid May moving to 73% from mid May – so up c 47%), but also due to increased step up/step down capacity required from increased patient numbers awaiting discharge while discharge testing and nursing home confidence more generally, is increased. Beds occupied by Covid-19 patients are expected to be similar to their current levels (c 150 included vented patients), but there is a risk of a rise during June.

- Costs of booking for and swabbing in staff testing units and the health board contribution to mass testing, together with increases in testing (both PCT platforms and POCT), will increase in May and June.

- Non-activity related costs are being incurred in the many areas, and these will be expected to continue over May and June. These areas include respiratory pathway costs, Consultant connect, free meals for staff (ending in June) and transport and accommodation of staff, ICT costs of home working, and cost of mortuary contracts.

Impact on delivery of efficiency savings

- An assessment of the position on efficiency savings schemes, and the timing of being able to re-start work on these, is being undertaken with managers. Based on responses to date, it is assumed that no material efficiency savings will be able to be delivered in Q1 and Q2.

Operational expenditure decreases

- Reductions in clinical consumables and drugs costs have resulted from the cessation of routine elective activity. These are assumed to continue in May and June, with only very limited re-starting before the end of Quarter 1. The staff undertaking the activity have been re-deployed to support Covid-19 work.

Slippage on planned investments/repurposing of development funding

- An assessment of what existing development funding can be slipped or re-purposed to help meet costs resulting from Covid-19. A provisional assessment of this has been included in the Q1 forecast.

Capital expenditure

- Capital and revenue set-up costs of £12.4m have been committed in order to deliver the Covid-19 response, of which £9.1m are capital costs and £3.3m are revenue set-up costs. These costs are not currently projected to increase over the rest of Q1, but could increase if the necessary separation of Covid and non-Covid patients as elective work is restarted requires further works expenditure, or changes to the role of field hospitals (e.g. regional work) requires further investment.
- Additional costs of project delays related to Covid-19 are also estimated at £3.9m. These costs largely relate to a delay in the start of the PCH Phase 1.

- These costs are summarised in the Table below:-

	Gold Approved 13.04			Gold Approved 27.04			Latest Position		
	Works £000	Equipment £000	Total £000	Works £000	Equipment £000	Total £000	Works £000	Equipment £000	Total £000
Acute & Community Hospital Capacity	504	4,066	4,570	718	4,066	4,784	821	3,821	4,642
Oxygen Capacity	277		277	311		311	397		397
Nursing Home	50	727	777	50	727	777	100	727	827
Field Hospitals	3,250	2,104	5,354	3,250	2,104	5,354	3,250	2,104	5,354
Mental Health	270		270	274		274	329		329
ICT Costs		815	815		815	815		815	815
Sub Total Direct Covid Costs	4,351	7,712	12,063	4,602	7,712	12,314	4,897	7,467	12,364
Project Delays	1,750		1,750	3,950		3,950	3,950		3,950
Total Costs including Project Delays	6,101	7,712	13,813	8,552	7,712	16,264	8,847	7,467	16,314
Revenue	3,300		3,300	3,300		3,300	3,350		3,350
Capital	2,801	7,712	10,513	5,252	7,712	12,964	5,497	7,467	12,964

The above table excludes the remediation costs of the field hospitals, when they are handed back. The estimated costs have been included in the Revenue financial return (£420k for the Vale expected in July 2020 and £180k for the Vale expected in March 2021).

3.3 Key Risks and Opportunities

The key risks highlighted in the M1 Monitoring return to WG are summarised below:

- The biggest risk to the forecast position is the uncertainty surrounding the estimated impact of Covid-19 on the Health Board's financial position, and particularly in Q2-Q4 where the uncertainty is greatest.

- Significant increased costs are anticipated for primary care prescribing in M12 of 2019/20 due to the impact of Covid-19. It is unclear at this stage if this increase will continue into 2020/21.

- The Health Board received circa £0.5m of Development plan funding in the 2019/20 Allocation Letter. This has been removed in 2020/21 and there is a potential risk that this funding may not be secured from the Implementation groups in 2020/21.

3 IMPACT ASSESSMENT

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

4 RECOMMENDATION

The Board is asked to:

- **DISCUSS** the contents of the Month 1 Finance report for 2020/21.

APPENDIX I

ANTICIPATED FUNDING

	Annual Budget
	£k
Confirmed funding	1,037,164
Unconfirmed funding	38,932
TOTAL	**1,076,096**

Key Issues

The most significant anticipated allocations include:

- Transformation Fund - £12.1m
- Bridging funds - £5.0m
- Substance Misuse - £3.5m
- Targeted Intervention - £3.3m
- Treatment Fund - £2.6m
- Anticipated DDRB Pay award - £1.8m
- Dental VT Funding - £1.7m
- Critical Care - £1.4m
- ICF Dementia Fund - £1.2m
- I2S Overseas Nursing - £1.0m