

AGENDA ITEM

6.1

PLANNING, PERFORMANCE & FINANCE COMMITTEE
FINANCE UPDATE – MONTH 8 of 2020/21
Date of meeting 21/12/2020

FOI Status Open/Public

If closed please indicate reason Not Applicable - Public Report

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Report purpose FOR DISCUSSION / REVIEW

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

Committee/Group/Individuals	Date	Outcome
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Welsh Government	11/12/2020	NOTED
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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 8 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 8 (M8).

This report should be read in the context of the CTM Integrated Medium Term Plan for 20120/21 to 2022/223 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 2020/21:

- The Welsh Government indicated that it was supportive of the Health Board assuming £5m bridging funding from the WG in 2020/21.
- During 20/21 the Transformation Team at WG confirmed their agreement to re-profile £4.5m of our Transformation funding between 2019/20 and 2020/21.
- The Health Board has already received £3.5m of funding for TI support in 2020/21.
- The impact of Covid-19 has had a significant impact on the financial plan for 20/21.

An updated position on the first three items is provided in Section 2 below.

The following sections are included in this report:

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2. HEADLINE MESSAGES AND KEY ACTIONS

2.1.1. Headline Messages

Following the resetting of budgets in Month 7 to take account of the significant additional allocations for Covid from the Welsh Government, actual expenditure in Month 8 was £2.3m under those reset budgets. This follows the £0.6m underspend in Month 7, taking the cumulative underspend since the resetting of budgets to £2.9m. The key elements of this underspend relate to:-

- contracting and commissioning costs due to activity lower than plan in other organisations (£1.5m)
- underspends in non-delegated budgets relating to potential Covid costs in future months now considered unlikely to be spent (£0.6m)
- underspending in primary care due to cluster spend being incurred later in the year than planned (£0.5m)
- underspending in ILGs in a number of different areas, including pay costs and CHC costs (£0.7m)

It should be stressed that expenditure is increasing in response to Covid, just not quite as significantly as envisaged in the Q3-4 plan. Workforce constraints remain significant and this is part of the reason for expenditure being under the Q3-4 plan.

As regards forecast year end expenditure against budget, the Board will recall that an underspend of £9.2m was forecast in the briefing provided at the In Committee meeting of the Board on 26th November.

The most recent forecast is now an underspend of £12.0m. This is increased from the £9.2m, partly due to the lower than planned spend in Month 8 (some of this is phasing but much is permanent), and partly due to a lower rephasing of Invest to Save repayments (down from £5m to £3m). There remains the potential for a prior year adjustment, but in light of the increase in the forecast underspend to £12m, any prior year adjustment would likely now be able to be managed within the existing Welsh Government allocations. As a result of this, the budgets for non-recurring revenue investments in the Q3-4 plan are now being released and commitments to the spend are being made. Feedback from Audit Wales on any need for any prior year adjustment is expected in the near future.

2.1.2. Key actions

Following the allocation of additional funding to delegated budgets for the Q3/Q4 Plan in M7, the key next steps (which are unchanged from M7) are as follows:




- Managing to the new delegated budgets for 20/21 following allocation of the further WG Covid funding.
- Finalising the forecast for 20/21 and any associated level of allocation to be returned to WG
- Increasing the focus and traction on savings plans and delivery in order to meet the latest forecasts for 20/21 and also to limit the recurrent impact going into 21/22.
- Agreeing the key principles, assumptions and approach for determining the forecast recurrent position going into 21/22 in preparation for the 21/22 IMTP.

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

3.1 Financial Position and Key Targets – Month 8

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 £899k and £34k for revenue and capital expenditure respectively. This means that the Health Board can overspend by £899k and £34k for revenue and capital expenditure respectively in 2020/21 and still meet its three year statutory duty. The Health Board's plan for 2020/21 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 2020/21 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	(2,282)	(2,902)		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	1,358	(2,113)		0
Public Sector Payment Policy To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance	%	94.1%	93.3%		94.2%

3.2 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				Section 3.4	Section 3.4	
Pay	571,370	(648)	(1,393)			
Non Pay	709,081	(1,219)	(4,762)			
Income	(130,183)	(84)	1,958			
Delegated Savings Plans	(5,291)	259	1,882			
Total Delegated Budgets	1,144,977	(1,692)	(2,315)			
Non Delegated Budgets	63,369	(590)	(590)			3.7
WG COVID Allocations	(98,012)	0	0			
WG Allocations	(1,110,334)	0	0			
GRAND TOTAL M8	0	(2,282)	(2,905)	0	26,500	
GRAND TOTAL M7	0	(622)	(622)	0	25,900	

During M7, £74m of additional funding was allocated to Delegated budgets to meet the forecast overspends in the Q3/Q4 Plan plus additional funding for winter plans and various other Covid related costs. The M8 and M7 underspends of £2.3m and £0.6m respectively therefore represent operational variances from the forecast overspends in the Q3/Q4 Plan.

The most significant variances reported in the M8 YTD position include:

- Pay – a £0.9m underspend across the three ILG's for a variety of reasons including slippage on Q3-4 plans.
- Non pay – a £2.8m underspend in Primary Care, £1.4m in Contracting & Commissioning, and £0.7m in Bridgend ILG relating to CHC costs.
- Income- a £2.1m overspend in Primary care. The imbalance between primary care non-pay and income is due to Covid funding which relates to both non-pay and income reductions being entirely reflected in non-pay budgets. Primary Care budgets will be realigned in M9.



3.3 Revenue Performance by Area

	Annual Budget £'000	Over/(Under) Spend			
		Current Month £'000	Year to Date £'000	Forecast £'000	Recurrent Forecast £'000
Integrated locality groups:				Section 3.4	Section 3.4
Bridgend	215,484	(611)	(401)		
Merthyr & Cynon	188,462	(377)	(209)		
Rhondda & Taff Ely	211,878	192	(161)		
Total ILGs	615,824	(796)	(771)		
Delivery Executive:					
Medicines Management	137,674	172	231		
Primary care	127,595	13	(474)		
Facilities	18,229	59	184		
COVID Planned projects	21,057	2	0		
Other	2,378	(11)	(29)		
Total Delivery Executive	306,934	235	(88)		
Contracting & Commissioning	135,239	110	(1,470)		
Corporate Functions	86,979	(1,241)	14		
Non Delegated budgets	(1,144,977)	(590)	(590)		
GRAND TOTAL M8	0	(2,282)	(2,905)		26,500
GRAND TOTAL M7	0	(622)	(622)		25,900

Key variances

- The £1.5m YTD Contracting underspend includes a £1.3m improvement in the WHSSC position and a £0.2m improvement in the Velindre position.
- The £1.3m overspend on Corporate functions in M7 has been reversed in M8 following a combination of £0.5m of funding from Reserves and re-profiling of budgets. It is important to note that the £1.2m underspend in M8 includes a £0.4m underspend in Estates. This is an error and will be corrected in M9.
- The £0.5m underspend in Primary care is attributed to low spend on Cluster funded projects which are expected to catch up later in the year.

3.4 Forecast Position

The Health Board is continuing to forecast a break-even position for 20/21 (M7: break-even).

Following the submission of the Q3/Q4 Plan and a finance review meeting with WG and FDU colleagues, the following changes were reflected in the M7 Finance report:

	Q3/Q4 Plan	M7 update
	£m	
Transformation funding	4.5	Previous assumed allocation now removed.
Bridging funding	5.0	Previous assumed allocation now removed
Proposals for early repayment and deferral of I2S funding.	5.0	The £9.7m in the Q3/Q4 plan was reduced by £3m to £6.7m to reflect the reduced allocation of £1.8m for UEC proposals (Q3/Q4 Plan : £4.8m). The M7 report showed a proposed draft allocation adjustment to return funding of £6.7m.
Proposals for Revenue to Capital transfers.	3.0	
Proposed carry forward of TI funding	1.7	
Total	19.2	

A summary of the latest M8 forecast position is provided below:



	M8	M7
IMTP / Annual Operating Plan	£m	£m
Forecast shortfall in Savings delivery (Negative Value)	(10.4)	(9.9)
Additional In Year Welsh Government Funding Due To Covid-19 (Positive Value)	98.0	94.5
Operational Expenditure Cost Increase Due To Covid-19 (Negative Value)	(78.0)	(78.6)
Planned Operational Expenditure Cost Reduction Due To Covid-19 (Positive Value)	10.2	10.9
Slippage on Planned Investments/Repurposing of Developmental Initiatives Due To Covid-19 (Positive Value)	3.4	3.3
Forecast Outturn attributable to Covid-19 (-Deficit / + Surplus)	23.2	20.2
Forecast Outturn Non Covid-19 (-Deficit / + Surplus)	(1.4)	(1.1)
Net cost of Winter plans in excess of funding	(7.0)	(7.0)
Additional accountancy gains	11.3	5.8
Non recurring spend initiatives	(6.2)	(6.2)
Removal of request for Bridging funding- see above	(5.0)	(5.0)
Draft slippage on Q3/Q4 Plan- see above	0	(6.7)
Proposals for early repayment and deferral of I2S funding (confirmed with I2S team).	(3.0)	0
Contingency against potential Prior Year adjustment	(12.0)	0
Total	0	0

The key points to note are as follows:

- The forecast additional accountancy gains in M7 of £5.8m assumed that the Health Board would meet the estimated costs of increasing the annual leave provision by £5.5m in 20/21. As requested by WG, the M8 position assumes that any increase to the annual leave provision will be funded by WG. It is important to note that this is a high level estimate and further work is being undertaken on an All Wales basis to agree a consistent approach and methodology.

- The I2S Team in WG have confirmed final I2S re-phasing with an impact of a £3m net cost in 2020/21 (with commensurate reduced net cost in future years).
- Discussions are ongoing with Audit Wales regarding a potential Prior Year Adjustment (PYA) to the 2019/20 Annual accounts. If a PYA is required the Health Board thinks that this risk can be covered in 20/21 provided our assumptions on WG funding for programme costs and annual leave are correct. If no PYA is required, we will need to agree the level of allocation to be returned to WG with the Board and this is planned to be confirmed before Christmas.
- The Covid: Non Covid distinction is becoming increasingly difficult as the response becomes broader and the Covid, Winter, Essential services response covers most services and cost changes.

An update on the forecast position and an associated recommendation regarding any return of allocation to WG will be provided in a briefing to Board members on 23 December.

Forecast recurrent position

The planned recurrent deficit for the end of 2020/21 was £13.4m. As at Month 8 we are reporting a forecast recurrent deficit of £26.5m:

	M8	M7
	£m	£m
Planned recurrent deficit	13.4	13.4
Forecast shortfall in recurring savings delivery	13.1	12.5
M5 Forecast	26.5	25.9

At this stage it is very difficult to estimate the full impact of Covid on the recurrent financial position going into 20/21 and further work is needed to fully understand the impact of Covid 19 and resetting on the underlying cost base. It is however, clear that it will be considerably in excess of the £26.5m shown, due to a range of likely ongoing requirements and impacts, including TTP, Covid vaccination, ongoing direct impacts of Covid, and continuation of new interventions to maintain services during Covid and Winter. The above forecast will be updated as part of our detailed planning for 21/22.

3.5 Covid Position

A high level summary of the forecast additional Covid costs for 20/21 is provided below.

As noted above, the Covid: Non Covid distinction is becoming increasingly difficult as the response becomes broader and the Covid, Winter, Essential services response covers most services and cost changes.

	Q1	Q2	Q3	Q4	Total
Area of cost impact	£m	£m	£m	£m	£m
Pay	7.3	6.0	8.6	14.2	36.1
Non Pay and Income	10.7	12.0	10.9	10.3	43.9
Impact on savings delivery	4.1	2.2	2.3	1.8	10.4
Operational expenditure reductions	(6.0)	(2.6)	(2.8)	(0.8)	(12.2)
Slippage on planned investments/repurposing of development funding	(1.3)	(0.9)	(0.6)	(0.6)	(3.4)
Sub total	14.8	16.6	18.4	25.0	74.8
WG funding	(10.3)	(21.1)	(18.4)	(48.2)	(80.0)
Total	4.5	(4.5)	(0)	(23.2)	(23.2)

More detailed information on the specific cost drivers is provided overleaf:



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Cwm Taf Morgannwg
University Health Board

	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	Mth 7 F/Cast	Change from Mth 7
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Vale Field Hospital	1,536	183	191	458	0	(754)	2	0	335	0	0	0	1,616	1,951	1,616	335
Bridgend Field Hospital	951	984	350	(43)	36	667	1,561	328	935	761	761	777	4,834	8,067	8,494	(427)
Marsh House Nursing Home	47	140	78	138	51	(31)	19	56	22	22	22	22	498	586	540	47
Abergarw Nursing Home	55	138	112	197	56	(17)	43	2	0	0	0	0	586	586	584	2
Internal Capacity	71	79	134	114	51	111	71	451	361	361	61	61	1,082	1,927	1,837	90
Operational Expend. Reduction	(726)	(1,816)	(2,211)	(1,347)	(1,089)	393	(837)	(1,069)	(775)	(425)	(125)	(125)	(8,701)	(10,151)	(8,882)	(1,269)
Private Patient Income	160	244	149	213	181	190	25	189	183	163	163	163	1,351	2,023	1,727	296
PPE	96	131	188	208	243	33	233	374	333	333	333	333	1,506	2,838	2,797	41
Med Staff	380	347	717	329	(35)	207	(393)	727	301	301	101	101	2,279	3,083	2,597	486
Free Food	225	230	(207)	0	0	0	0	0	0	0	0	0	248	248	248	0
Essential Services Backlog	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CHC	0	0	0	0	0	3,400	0	0	0	0	0	0	3,400	3,400	5,900	(2,500)
Staff Welfare	3	3	3	3	3	3	3	3	3	3	3	3	24	36	36	0
PC Prescribing	0	0	1,371	1,772	549	260	473	585	603	500	500	500	5,010	7,113	7,427	(314)
Primary Care	339	247	585	678	152	478	434	298	301	300	298	411	3,211	4,521	6,417	(1,896)
Flu Expansion	0	0	0	0	0	0	0	350	350	0	0	0	350	700	700	0
IT	40	60	61	(106)	171	80	62	122	130	4	4	4	490	632	514	118
Project Management	0	41	27	21	0	0	0	0	0	0	0	0	89	89	89	0
Antigen testing	0	61	60	209	338	205	256	434	325	398	398	403	1,563	3,088	3,031	57
AntiB testing	0	0	0	0	348	68	(40)	75	27	65	65	65	451	672	662	10
Hospital Based Testing	0	77	153	141	159	63	40	86	134	134	134	134	719	1,257	1,305	(48)
Contact Tracing	0	0	0	0	0	311	564	498	827	828	833	833	1,373	4,694	4,355	338
Mass Vaccination	0	0	0	0	0	0	0	32	317	585	615	620	32	2,169	2,100	69
Excess Deaths	30	0	15	15	23	11	11	0	0	0	0	0	105	105	105	0
Students	0	815	893	1,002	543	418	222	138	0	0	0	0	4,031	4,031	4,043	(12)
HCSW FT Recruitment	0	0	0	216	223	(92)	203	111	310	310	230	110	661	1,621	1,820	(199)
Private Hospitals	0	0	0	0	0	0	0	0	0	500	500	500	0	1,500	1,500	0
Other	1,535	2,195	454	1,210	667	1,206	2,244	1,306	1,214	1,214	1,214	6,614	10,818	21,072	16,148	4,924
SUBTOTAL	4,742	4,161	3,123	5,428	2,669	7,210	5,196	5,096	6,236	6,357	6,110	11,529	37,625	67,857	67,709	148
Undelivered Savings	1,554	1,901	600	792	563	801	523	910	904	697	676	471	7,644	10,392	9,929	463
Slippage/Repurposing	(273)	(269)	(752)	(318)	403	(981)	(91)	(319)	(200)	(199)	(199)	(201)	(2,600)	(3,399)	(3,318)	(81)
WG COVID Funding			(10,289)	0	(794)	(20,270)	(5,628)	(5,687)	(6,940)	(6,855)	(6,587)	(34,962)	(42,668)	(98,012)	(94,545)	(3,467)
TOTAL	6,023	5,793	(7,318)	5,902	2,841	(13,240)	0	0	0	0	0	(23,163)	1	(23,162)	(20,225)	(2,937)

Further information on the key areas of additional costs and the movements from the M7 forecast are summarised below:

Field hospitals and nursing homes (£11.2m) -The M8 forecast of £11.2m remains unchanged from M7:

	M8	M7
	£m	£m
Field hospitals – set up costs	5.4	5.1
Field hospitals – decommissioning costs	0.4	0.4
Running costs	2.4	1.8
Estimated additional staffing costs to open up extra beds for a second peak	3.0	3.9
Total	11.2	11.2

TTP (Track, Trace & protect including Antigen and Antibody testing (£9.7m)) - The revised plan for antigen and antibody testing and the Health Board's contribution to contact tracing and surveillance has a cost of £9.7m. The main changes from the M7 forecast of £9.3m is due to the increased demand projections for Track & Trace and the corresponding additional staffing required by the Local Authorities to manage these new levels of demand.

The additional costs associated with Whole Community Testing in Merthyr are not yet available but it is assumed that these costs will be funded as part of the TTP programme funding.

Use of the Vale and Cardiff Bay Nuffield Facilities (£1.5m) – The latest forecast assumes a cost of £1.5m for the period Jan to March 2021(M7:£1.5m).

Primary Care Prescribing (£7.1m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost impact	£m	£m	£m	£m	£m	£m



Primary care prescribing	1.4	2.5	1.7	1.5	7.1	7.4
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The latest projection of £7.1m assumes a small reduction in the rate of over spend in Months 9-12. Given the large degree of uncertainty as regards the ongoing impact, there is still a margin of error around this estimate and this has been reflected in the Risk table at Section 3.8.

Additional costs in Primary Care (£4.5m) plus extended Flu programme (£0.7m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost impact	£m	£m	£m	£m	£m	£m
Loss of dental patient charge income	1.5	1.4	0.5	0.4	3.8	5.4
Reduced dental contract payments	(1.1)	(0.5)	0	0	(1.6)	(1.6)
Dental sub total	0.4	0.9	1.1	1.3	2.2	3.8
Investment in Clusters	0.4	0	0.5	0.6	1.5	1.5
Other (including GP Hub and Enhanced services)	0.4	0.4	0	0	0.8	1.1
Estimated costs of extending Flu to 50+ age group	0	0	0.7	0	0.7	0.7
Total	1.2	1.3	2.4	2.1	5.2	7.1

The forecast loss of dental patient charge income is showing a significant improvement in M8, which is based on the improvement seen in M7 and M8 continuing for the rest of the year.

Dental practices with NHS contracts have received 90% of their annual contract values for Q2 and 80% for Q1. Our forecast assumption is that payments will remain at 100% for Q3 and Q4.

An additional £1.5m investment in various aspects of primary care services as part of the Covid and resetting response is planned. However, as this is planned to be funded through re-purposing of WG primary care cluster funding there is no net cost.

An initial estimate has been included in the forecast to extend the flu vaccination programme to the 50+ age group. This was reduced in M7 following confirmation that the vaccine costs would be covered centrally.

PPE (£2.8m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost impact	£m	£m	£m	£m	£m	£m
PPE	0.4	0.5	0.9	1.0	2.8	2.8

The above forecast assumes the current level of expenditure in M8 continues for December through to March.

Medical Staff (£3.1m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost impact	£m	£m	£m	£m	£m	£m
Medical staffing	1.4	0.5	0.6	0.5	3.1	2.6

These costs include the impact of new Welsh Government guidance (relating to consultants, SAS, doctors and junior medical staff) on claims for additional medical staff hours. A breakdown of the actual costs for Q1 and Q2 is provided below:

	Q1	Q2	M8	M8 YTD
	£k	£k	£k	£k
Bridgend ILG	713	468	635	1,545

Merthyr & Cynon ILG	534	137	2	649
Rhondda & Taf ILG	198	38	39	314
Other	0	(142)	52	(228)
Total	1,445	500	727	2,279

Internal capacity (£1.9m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost impact	£m	£m	£m	£m	£m	£m
Internal capacity	0.3	0.3	0.8	0.5	1.9	1.8

Continuing Healthcare (£3.4m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost impact	£m	£m	£m	£m	£m	£m
CHC	0	3.4	0	0	3.4	5.9

The latest forecast assumes that the CHC allocation received to date of £3.4m is sufficient for the full year impact of supporting providers in 2020/21. Further work is being undertaken to confirm this position for M9 reporting.

Students (£4.0m) and HCSWs (£1.6m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost impact	£m	£m	£m	£m	£m	£m
Students	1.7	2.0	0.3	0	4.0	4.1
HCSW's Fixed Term recruitment	0	0.3	0.6	0.7	1.6	1.8



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Total	1.7	2.3	0.9	0.7	5.6	5.9
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The additional cost of HCSW's on temporary contracts is based on the 120 WTEs currently going through the recruitment process.



Other reactive costs including ward nursing (£21.1m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost impact	£m	£m	£m	£m	£m	£m
Other reactive costs	4.2	3.1	4.8	9.0	21.1	16.1

The Q4 forecast increased during M8 to recognise the estimated impact of increased annual leave being carried forward at the end of 20/21. This is a high level estimate and further work is needed on an All Wales basis to agree a consistent approach and methodology. Please see section 3.4 above.

A breakdown of the M8 YTD costs is provided below:

	BG	MC	RT	Other	Total
	M8 YTD	M8 YTD	M8 YTD	M8 YTD	M8 YTD
	£k	£k	£k	£k	£k
Registered nursing	2,331	711	820	59	3,921
Add Clinical services	466	708	833	5	2,012
A&C	169	5	30	367	561
Other pay	255	223	220	305	1,064
Non pay & income	365	584	310	2,001	3,260
Total	3,576	2,231	2,213	2,798	9,512

The Non pay & income expenditure within 'Other' of £2,001k includes:

- Laundry Services - £751k
- M&S Consumables - £688k
- Loss of SLA Income - £170k



Operational expenditure decreases (£10.2m)

	Q1	Q2	Q3	Q4	Total M8	Total M7
Area of cost benefit	£m	£m	£m	£m	£m	£m
Operational expenditure reductions due to reduced elective activity	(4.8)	(2.0)	(2.7)	(0.7)	(10.2)	(8.9)

Following a direction from WG, the M6 position was adjusted to move £1.2m of WHSSC underperformance from Operational expenditure decreases to Slippage on investments (see below).

The actual reduction in clinical consumables and drugs costs from the cessation of routine elective activity in Q1 was £4.8m. The original position for Q2 was £3.2m, which reduced to £2m after allowing for the WHSSC adjustment noted above. Recognising that there is a margin of error around the Q4 estimate of £0.7m, a potential opportunity has been included in the M8 risk table in Section 3.8.

A breakdown of the M8 YTD costs is provided below:

	Q1	Q2	M8	M8 YTD
	£k	£k	£k	£k
Bridgend ILG	(1,142)	(863)	(664)	(3,175)
Merthyr & Cynon ILG	(948)	(490)	(163)	(1,810)
Rhondda & Taf ILG	(931)	(950)	(217)	(2,356)
Medicines Mgt	(1,017)	(290)	(141)	(1,153)
Contracting & Commissioning	(714)	550	116	(207)
Total	(4,752)	(2,043)	(1,392)	(8,701)

The Medicine Mgt under spend of £1.2m includes reductions in NICE expenditure and other drugs/vaccines expenditure.



Impact on delivery of efficiency savings

The original split of the annual savings target of £20.6m was £19.0m Delegated and £1.6m Non Delegated. For 2020/21 this split has now been changed to £16.4m Delegated and £4.2m Non delegated so that the Pre Covid savings gap of £4.2m is now all shown as Non Delegated and is this is being shown as non-Covid variance.

The M8 YTD and forecast savings are summarised below.

	Month 8			Month 7		
	YTD	19/20	Recurring	YTD	19/20	Recurring
	£m	£m	£m	£m	£m	£m
Delegated Savings targets	10.8	16.3	19.0	9.5	16.3	19.0
Forecast Savings – excluding Red schemes	(3.2)	(5.9)	(7.4)	(2.8)	(6.4)	(8.1)
Forecast shortfall	7.6	10.4	11.6	6.7	9.9	10.9
Non Delegated Savings target	2.9	4.3	1.6	2.5	4.3	1.6
Total	10.5	14.7	13.2	9.2	14.2	12.5

- Actual savings in M8 was £0.4m (M7: £0.9m) and the M8 YTD savings is now £3.2m (M7: £2.8m)
- Forecast In year savings has reduced by £0.5m in M8 and forecast recurrent savings has reduced by £0.7m.
- The latest risk assessment on the £1.1m Amber schemes within the total forecast In year savings of £5.9m is £0.3m.
- The forecast recurrent savings gap of £13.2m has been reflected in the forecast recurrent position (See Section 3.4 above).

The Health Board needs to increase the focus and traction on savings plans and delivery in order 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.

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 is provided below:

	M8	M7
	£m	£m
Transformation allocation for Covid -19	1.3	1.3
Cluster funding for 20-21 (the inclusion of this funding has also seen a corresponding increase in Covid related costs)	1.5	1.5
Mental Health funding for 20/21	1.0	1.0
Other	0	0
WHSSC Investment Slippage	1.3	1.3
Sub total	5.1	5.1
Reclassified as WG income in M5:		
Transformation allocation for Covid -19	(1.3)	(1.3)
Mental Health funding for 20/21	(0.5)	(0.5)
Total	3.3	3.3

Further work is being undertaken to quantify the extent to which staff working on the Transformation project are being redeployed to Covid. Whilst this will increase the £3.3m noted above there will also be a corresponding increase in Covid costs so the impact will be cost neutral.



3.6 Savings Performance by Area

An analysis of the forecast savings (In year £5.9m and recurring £7.4m) by area is provided below.

Area	In year Savings Target £000	Green	Amber	Red	Current In Year Forecast	% of Current Year Forecast to Target
Bridgend ILG	3,822	314	51		365	9.6%
Merthyr & Cynon ILG	3,586	1,023	84		1,107	30.9%
Rhondda & Taf ILG	3,471	832	356		1,188	34.2%
Medicines Management	2,903	1,725			1,725	59.4%
Primary Care	306	1			1	0.5%
Contracting & Commissioning	784	522			522	66.7%
Corporate Directorates	1,411	387	631		1,018	72.1%
Sub Total	16,282	4,806	1,121	-	5,927	36.40%
Covid Non Recurrent		7,361			7,361	
Grand Total	16,282	12,167	1,121	-	13,288	81.61%

Area	Recurrent Savings Target £000	Green	Amber	Red	Forecast recurrent savings	% of Forecast recurrent savings to Target
Bridgend ILG	5,258	505	157		662	12.6%
Merthyr & Cynon ILG	4,035	997	290		1,287	31.9%
Rhondda & Taf ILG	3,961	1,171	853		2,024	51.1%
Medicines Management	2,903	2,054			2,054	70.8%
Primary Care	306				0	0.0%
Contracting & Commissioning	899	600			600	66.8%
Corporate Directorates	1,610	402	398		800	49.7%
Grand Total	18,970	5,729	1,698	-	7,427	39.15%



3.7 Non Delegated budgets

The key reasons for the Month 8 and Month 8 YTD overspends are as follows:

	M8	M8 YTD	M7	M7 YTD
	£k	£k	£k	£k
Shortfall v CRES target of £4.2m	360	2,879	359	2,519
Shortfall v non recurrent slippage/Non pay expenditure reduction targets of £4m	321	2,567	246	2,246
Provision for additional costs not included in the Delegated position.	(1,065)	0	(962)	1,065
Other variances	(206)	(6,036)	(939)	(5,830)
Total	(590)	(590)	(1,296)	0



3.8 Key Risks and Opportunities

	Month 8	
	Opps	Risk
	£m	£m
Prior year adjustment – either not required or greater than £12m	(12.0)	3.6
Slippage in delivery of Q3/Q4 plan	(3.0)	0
Changes to the Balance sheet assumptions in the Q3/Q4 Plan	TBC	0
Potential variation in the estimated 'pass through' costs for PPE, TTP, Mass vaccinations, Flu, Field hospitals and CHC.	(3.0)	3.0
Any variation would be matched by corresponding adjustment to assumed WG funding	3.0	(3.0)
Whole Community testing in Merthyr- costs TBC but assumed to be funded as part of TTP programme funding	TBC	0
Other items:		
Primary care prescribing (Included in Slippage in delivery of Q3/Q4 Plan)	0	0
Forecast savings (Included in Slippage in delivery of Q3/Q4 Plan)	0	0
Forecast Operational expenditure reductions (Included in Slippage in delivery of Q3/Q4 Plan)	0	0
Securing the assumed recurrent allocation for Prevention funding that was received in 19/20.	0	1.0
Total	(15.0)	4.6

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

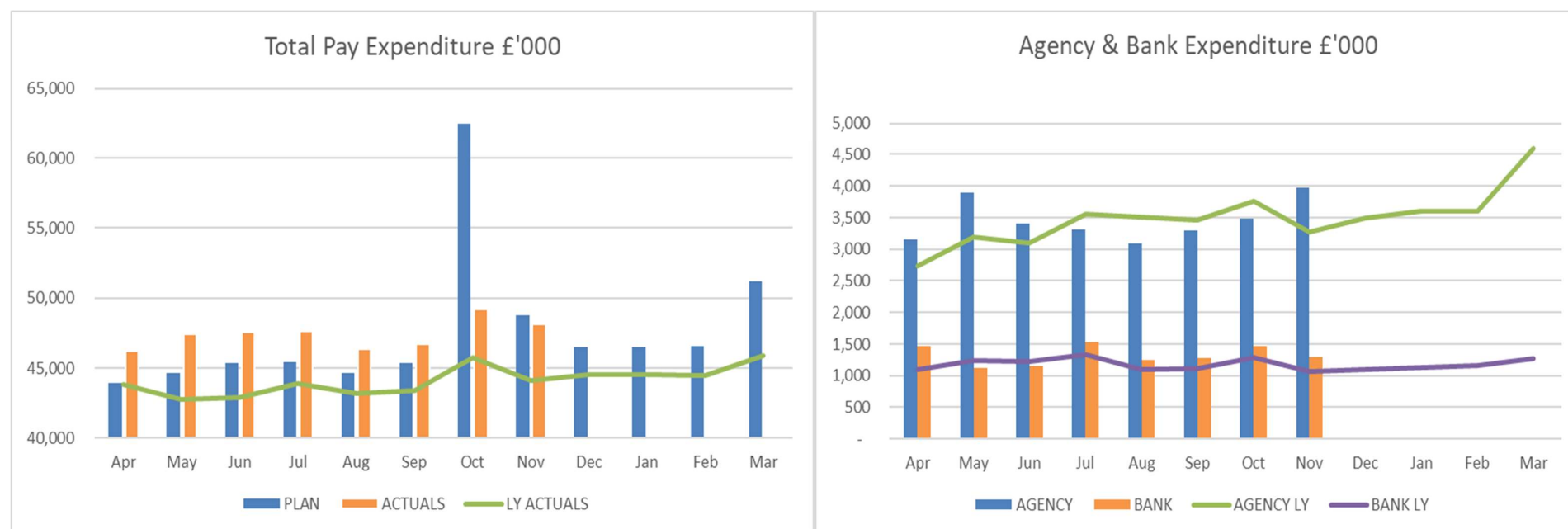
5. RECOMMENDATION

The Committee is asked to:

- **DISCUSS** the contents of the Month 8 Finance report for 2020/21.

APPENDIX A

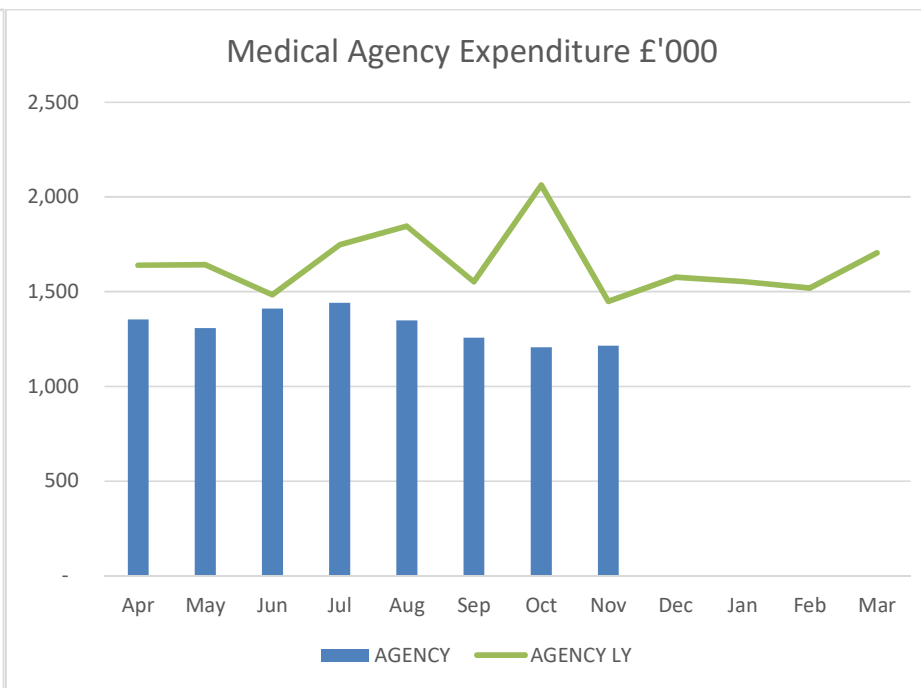
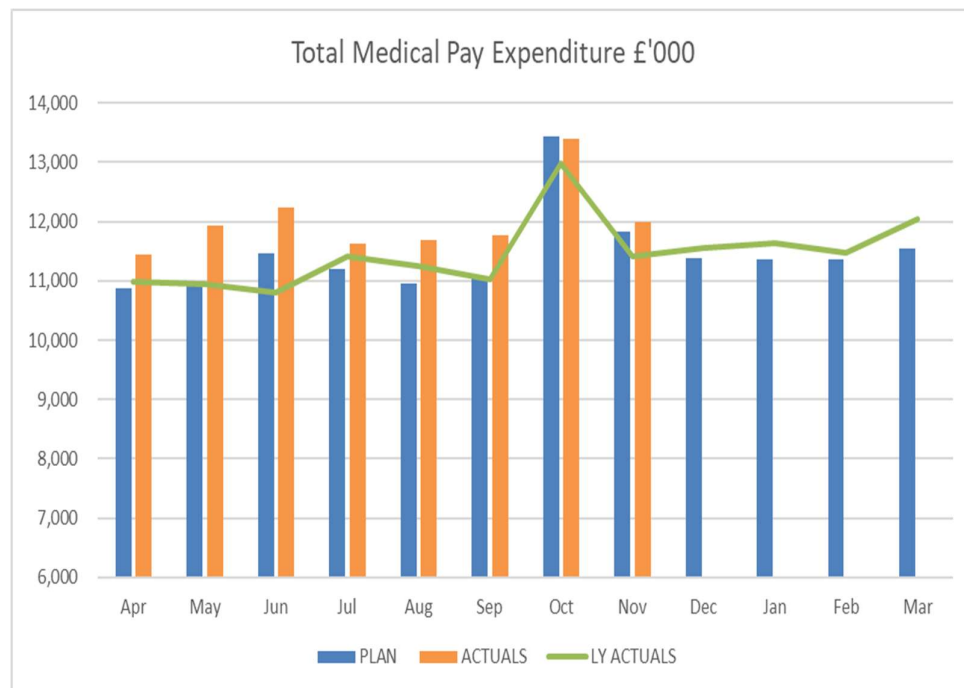
TREND ANALYSIS – TOTAL PAY



During M7, additional funding was allocated to Delegated budgets to meet the forecast overspends in the Q3/Q4 Plan plus additional funding for winter plans and various other Covid related costs. This resulted in a £13.3m pay surplus in M7.

APPENDIX B

TREND ANALYSIS – MEDICAL PAY



APPENDIX C

TREND ANALYSIS – REGISTERED NURSING (WARDS and A&E)



APPENDIX D

TREND ANALYSIS – ADDITIONAL CLINICAL SERVICES (WARDS and A&E)



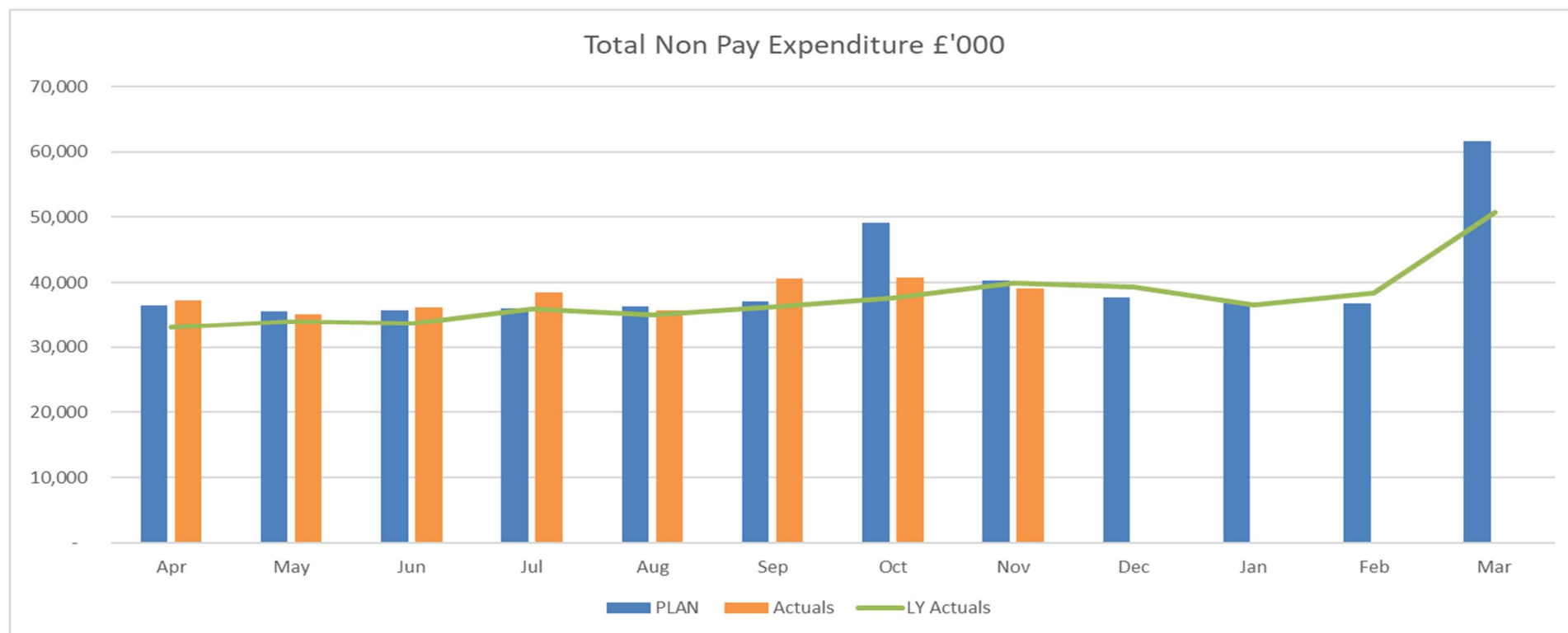


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APPENDIX E

TREND ANALYSIS – NON PAY



During M7, additional funding was allocated to Delegated budgets to meet the forecast overspends in the Q3/Q4 Plan plus additional funding for winter plans and various other Covid related costs. This resulted in a £7.7m non pay surplus in M7.

APPENDIX F

WELSH GOVERNMENT ALLOCATIONS

	Annual Budget
	£k
Confirmed funding	1,147,069
Unconfirmed funding	61,277
TOTAL	1,208,346

Key Issues

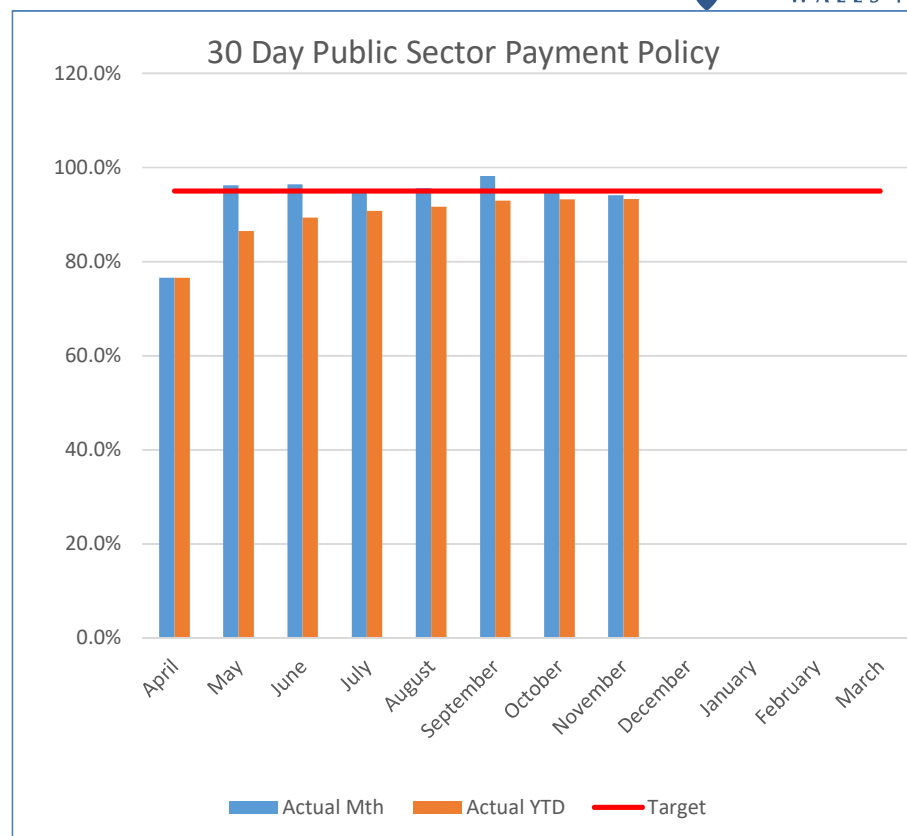
The most significant anticipated allocations include:

- Depreciation/Impairments £30.8m
- Transformation Fund - £11m
- Substance Misuse - £3.5m
- A Healthier Wales - £1.2m
- I2S – (£1.9m)
- Ring fenced COVID items- £22.4m
- Partnerships - £1.5m

APPENDIX G

Public Sector Prompt Payment (PSPP) 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 for November was 94.1%, with a cumulative percentage of 93.3%.
- For the month of April the percentage was only 76.6%. This was in part due to COVID supplier relief arrangements which allowed 1029 queried invoices to be released which accounted for 5.5%.
- As a consequence of the low percentage performance in April, there is a high risk that the Health Board may not achieve the 95% target for 20/21. The forecast percentage for Month 12 is 94.2%.

Balance Sheet

APPENDIX H



Balance Sheet	Opening Balance (01/04/2020) £'000	Closing Balance as at M8 £'000	Forecast Closing Balance M12 £'000
Non Current Assets			
Property, Plant & Equipment	532,624	538,402	532,624
Intangible Assets	3,631	3,631	3,631
Trade and Other Receivables	50,069	50,069	50,069
Total Non-Current Assets	586,324	592,102	586,324
Current Assets			
Inventories	6,071	6,217	6,071
Trade and Other Receivables	101,242	116,025	106,242
Cash and Cash Equivalents	376	2,480	13,972
Total Current Assets	107,689	124,722	126,285
Current Liabilities			
Trade and Other Payables	133,114	147,750	132,110
Provisions	38,844	53,921	53,844
Total Current Liabilities	171,958	201,671	185,954
Non-Current Liabilities			
Trade and Other Payables	1,307	1,307	1,307
Provisions	56,259	56,259	56,259
Total Non-Current Liabilities	57,566	57,566	57,566
TOTAL ASSETS EMPLOYED	464,489	457,587	469,089
Financed By:			
General Fund	416,325	409,423	420,925
Revaluation Reserve	48,164	48,164	48,164

Key Issues:

- The closing cash balance for M8 was £2.48m.
- Receivables have increased by £15m to M8, which relates mainly to WRP debtors.
- The increase in payables of £15m represents the M8 Pension/HMRC creditor. This had been part paid in Month 12 2019-20.
- The increase in provisions to Month 8 of £15m relate to Clinical Negligence with the corresponding increase in WRP Debtors.

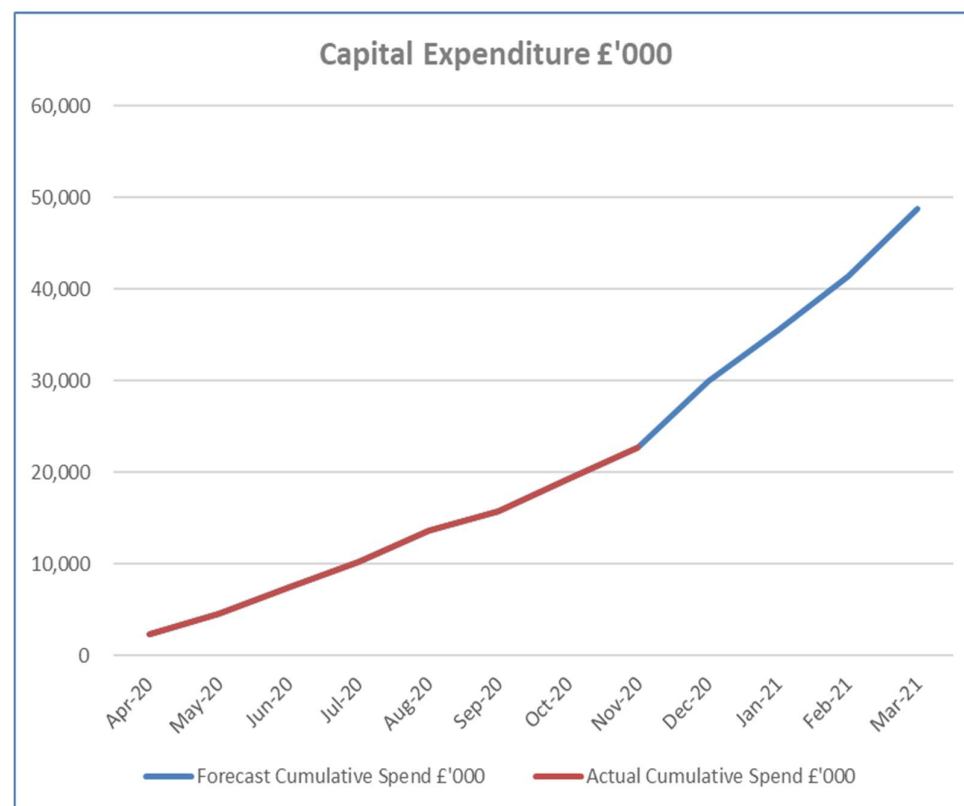


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APPENDIX I

Performance against Capital Resource Limit



Key Issues:

- The current Capital Resource Limit of £44.1m was issued on the 4th December 2020.
- In addition, the Health Board is anticipating a further £4.4m of additional funding relating to the impact of COVID 19.
- This is supplemented by £0.3m of donated funds giving an overall programme of £48.8m.
- Expenditure to date is £22.7m.
- The current forecast capital position is breakeven assuming all anticipated funding is received.

APPENDIX J



Cash position

Cashflow	Actual/Forecast						
	Oct £'000	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £'000	Total £'000
Receipts							
WG Revenue Funding	(12,369)	82,276	109,460	97,900	87,400	130,874	1,166,560
WG Capital Funding	0	4,500	4,400	4,700	5,200	7,813	48,463
Sale of Assets	4	0	0	0	0	0	32
Welsh NHS Org'ns	9,344	9,170	9,000	10,600	19,000	13,600	128,485
Other	1,784	1,827	1,500	1,500	1,500	2,300	31,243
Total Receipts	(1,237)	97,773	124,360	114,700	113,100	154,587	1,374,783
Payments							
Primary Care Services	24,364	6,714	27,054	7,520	16,840	17,880	199,981
Salaries and Wages	46,121	46,458	48,650	48,580	48,380	67,449	562,580
Non Pay Expenditure	33,455	40,621	45,594	53,400	42,800	48,097	549,127
Capital Payments	4,308	3,815	4,200	4,200	5,200	9,411	49,499
Other (Donated asset funding)	0	0	0	0	0	0	0
Total Payments	108,248	97,608	125,498	113,700	113,220	142,837	1,361,187
Net Cash In/Out	(109,485)	165	(1,138)	1,000	(120)	11,750	
Balance B/F	111,800	2,315	2,480	1,342	2,342	2,222	
Balance C/F	2,315	2,480	1,342	2,342	2,222	13,972	

Key Issues

- The M8 cash flow forecast is currently showing a forecast surplus of £14m in Month 12.
- Of the £2.3m anticipated reimbursement of WRP debtors in November only £0.3m was received. The Revenue forecast includes an anticipated reimbursement of £10m in February and assumes that the cash for the remaining outstanding WRP debtors of approximately £22m will be received early 2020-21.
- The Revenue forecast does not currently include any adjustment for any potential return of resource allocation to WG, which we assume would also be backed by cash. Please see Section 3.4 above.