

CWM TAF MORGANNWG UNIVERSITY HEALTH BOARD

MONITORING RETURNS – April 2021

FINANCIAL COMMENTARY

Introduction

These returns outline the financial position for Cwm Taf Morgannwg (CTM) UHB for the period ended 30 April 2021.

The tables attached to this commentary **do not** include the income, expenditure and balances of the Welsh Health Specialised Services Committee (WHSSC) or the Emergency Ambulance Services Committee (EASC) which is being financially managed via WHSSC. They do however include the Cwm Taf element of transactions between the parties.

1. Financial Plan, Year to Date and Forecast position

1.1 Financial Plan for 2021/22

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

- The core plan
- Covid response
- Planned care recovery

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 - assuming even phasing over Q1-4 initially	5.7	5.7	5.7	5.7	22.8
Covid costs net of WG funding	-7.4	-4.0	4.5	3.9	-3.0
Planned care recovery (costs assumed matched by funding)	0.0	0.0	0.0	0.0	0.0
Total	-1.7	1.7	10.2	9.6	19.8
Cumulative total	-1.7	0.0	10.2	19.8	

This shows that over Q1 and Q2, the deficit in the core plan is offset by the surplus against Covid funding, giving an overall breakeven position. Over the year as a whole the draft plan currently has a deficit of £19.8m, which entirely relates to Q3 and Q4.

The table below shows our initial assessment of our Covid response costs and income assumptions for 21/22.

Covid costs and funding 2021/22	Q1 £m	Q2 £m	Q3 £m	Q4 £m	Total £m
Programme costs:					
TTP	2.9	2.5	2.7	2.7	10.8
Mass Vaccination	3.2	2.0	2.2	2.2	9.6
Cleaning Standards	0.6	0.6	0.6	0.6	2.3
CHC/FNC Support	0.9	0.9	0.9	0.9	3.6
PPE	0.6	0.5	0.3	0.3	1.7
Sub total	8.2	6.4	6.6	6.6	27.9
Assumed funding- programme element	-8.2	-6.4	-6.6	-6.6	-27.9
Total	0.0	0.0	0.0	0.0	0.0
Other Covid costs:					
Long COVID	0.1	0.1	0.1	0.1	0.5
Field Hospital	1.0	0.5	0.3	0.3	2.2
Primary care prescribing	0.9	0.9	0.9	0.9	3.6
Dental income Loss	0.4	0.3	0.6	0.5	1.8
IT	0.2	0.2	0.2	0.2	0.7
Planned care exp're reductions	-1.5	-0.8	0.0	0.0	-2.3
Secondary care reactive costs	3.4	1.8	1.4	0.9	7.5
Undelivered Savings	4.0	1.0	0.0	0.0	5.0
Costs to transition back out of Covid operating models	1.0	1.0	1.0	1.0	4.0
Sub total	9.6	5.1	4.5	3.9	23.1
Confirmed funding- formula element	-17.0	-9.1			-26.1
Total	-7.4	-4.0	4.5	3.9	-3.0

It is important to note that the confirmed funding of £26.1m has been phased in M1-M6 based on the estimated spend profiles.

We acknowledge that further work is needed to produce a balanced plan for 21/22. In addition, as noted in the Monitoring return guidance for 21/22, due to the reduced status of the plans this year and the assessed maturity of the draft plans received at the 31 March 2021, the period from which the plan is 'fixed' is to be extended from M1 to M3.

1.2 Actual YTD and Forecast 21-22 (Table A)

	M1 Actual	M1 Opening Plan	M1 Forecast	Opening plan Forecast
	£m	£m	£m	£m
Core plan	2.5	1.9	22.8	22.8

Covid 19	(2.5)	(2.5)	(3.0)	(3.0)
Planned care recovery	0	0	0	0
Total	0	(0.6)	19.8	19.8

The key points to note are as follows:

- The M1 Covid position is in line with the opening plan.
- The M1 Core plan is £0.6m above plan. This is due to a number of timing issue which are expected to recover in M2 and future months.

1.3 Material income and expenditure category movements between the current period actual and the previous month forecast (Table B).

Commentary on movements to be provided from M2 onwards.

The forecast has been profiled using latest plans and information. The following items are currently profiled in M12:

- A4C Payaward £4.0m- pending confirmation of the 21/22 payaward. The living wage element has been profiled from M1.
- M&D Payaward £1.4m- pending confirmation of the 21/22 Payaward.
- Welsh Risk Pool £2.0m- anticipated cost in relation to the All Wales risk sharing arrangement.
- NHS 111 £0.4m- anticipated additional contribution to NHS 111.

The profile for Month 6 includes anticipated accountancy gains included in our original IMTP against Non Pay and CHC.

1.4 Pay Expenditure (Table B2- Sections A,B&C)

The M1 Pay expenditure was £49.3m and the monthly trend is summarised below.

	M1	M12	M11	M10
	£'m	£'m	£'m	£'m
A&C	6.4	15.3	6.3	6.7
Medical	12.1	23.3	11.5	8.7
Nursing	15.6	30.4	15.6	17.9
ACS	6.4	14.6	6.2	7.4
Other	8.8	19.6	8.54	9.4
Total	49.3	103.2	48.1	50.1

The Key issues to highlight are as follows:

- The M12 position includes additional accruals for NHS Pensions, NHS Staff bonus, Annual Leave not taken & study leave, which total £52m.
- Medical costs include £3.6m of accountancy gains in M10 and £0.4m in M11, which would increase the gross position to £12.3m and £11.9m respectively.
- The increase in Nursing & ACS costs in M10 is due to the introduction of a new accruals methodology (Nursing £1.9m and ACS £1.2m).

After taking account of the above comments the M1 position is broadly consistent with the previous 3 months.

The M1 agency expenditure was £3.53m and the monthly trend (excluding accountancy gains) is summarised below.

	M1	Q4 Ave	Q3 Ave
	£'m	£m	£m
Medical	1.3	1.3	1.27
Nursing	1.37	2.04	1.82
Other	0.86	0.87	0.69
Total	3.53	4.21	3.78

Agency expenditure is anticipated to remain relatively static over the current quarter, with savings being achieved from M4 onwards offset slightly by investment from planned care recovery anticipated to require agency support.

1.5 Covid analysis (Table B3)

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

	M1 Actual	M1 Opening plan	M1 Forecast	Opening plan Forecast
Programme costs	£m	£m	£m	£m
TTP	0.77	1.19	9.88	10.82
Mass Vaccination	1.1	1.1	9.6	9.6
Extended Flu	0	0	0	0
Cleaning standards	0.19	0.19	2.32	2.32
CHC/FNC support	0.3	0.3	3.6	3.6
PPE	0.15	0.2	1.6	1.65
Sub total	2.5	2.98	27.04	27.99
Assumed funding – programme element	(2.5)	(2.98)	(27.04)	(27.99)

Total Programme costs	0	0	0	0
Other Covid costs:				
Field hospital	0.61	0.46	2.28	2.13
Primary care prescribing	0.3	0.3	3.6	3.6
Dental income loss	0.34	0.37	3.02	3.05
Undelivered savings	1.34	1.34	5.0	5.0
Operational expenditure cost reduction	(0.5)	(0.5)	(2.25)	(2.25)
Slippage on Planned investments and re-purposing of development initiatives	0	0	0	0
Other covid costs (including Long covid, IT, Secondary care reactive costs and Costs to transition out of Covid operating models)	1.34	1.34	11.49	11.49
Sub total	3.43	3.31	23.14	23.01
Confirmed funding	(5.89)	(5.89)	(26.1)	(26.1)
Total Other Covid costs	(2.46)	(2.58)	(2.96)	(3.09)

The opening plan for TTP included £0.3m for the Community testing across CTM in M1 (forecast £0.3m). No costs have been reported for M1 pending confirmation of funding from WG

There are no other significant issues to note at M1.

1.6 Month 1 - Forecast recurrent position (Table A)

As at Month 1 we are reporting a forecast recurrent deficit of £32.2m at the end of 21/22. This is consistent with the draft financial plan submitted to WG as part of the IMTP submission.

2. Risk Management (Table A2)

The key financial risks and opportunities for 21/22 are noted in Table A2 and are summarised below:

	Month 1	
	Opps	Risk
	£m	£m
Under delivery of Amber Schemes included in Outturn via Tracker		2.9
Unavoidable costs associated with TI status exceeding funding		0.5

Shortfall against savings plan		2.5
Underlying deficit cannot be brought back in line with plan assumption		3.0
Unavoidable recurring service/cost pressures exceeding plan		1.0
Potential LTA differences		0.25
COVID reactive costs exceeding plan		2.0
Delay / Stop new investments	(0.5)	
Further balance sheet review	(1.25)	
Potential for annual leave reduction being greater than costs incurred	(1.0)	
Total	(2.75)	12.15

The key risks and opportunities note above are consistent with the the draft financial plan submitted to WG as part of the IMTP submission. These will be reviewed and updated as part of the wider plan update in Q1.

3. Ring Fenced Allocations (Tables N&O)

The Health Board can confirm that there are no concerns at M1 on any ring-fenced budgets.

4. Saving (inc Accountancy gains) Plans (Tables C, C1, C2, C3)

The financial plan for 2020/21 includes a £16.2m recurring savings target which has been reduced by £5.0m on an In year basis only to reflect the ongoing impact of Covid 19 on savings delivery at the beginning of 21/22.

The savings plans being reported at M1 are consistent with the IMTP submission at the end of March:

	Month 1		
	M1 YTD	20/21	Rec
	£m	£m	£m
Savings targets	1.3	16.2	16.2
Forecast Savings	0	(7.8)	(10.8)
Sub total	1.3	8.4	5.4
Covid funding abatement	(1.3)	(5.0)	0
Total	0	3.4	5.4

Further work is ongoing to close the £3.4m gap for 21/22 and this will continue to be updated during Q1 and will be fixed at M3.

The financial plan for 2020/21 also includes planned accountancy gains of £6.2m. These will be released into the YTD position by Month 6 at the latest.

5. Income Assumptions 2021/22 (Tables D & E)

Table D has been completed and agreed with other organisations. The financial plan also includes provision for additional costs arising from the WRP risk sharing arrangement of £2.0m which is consistent with the information provided by NWSSP. This provision has been included in Table D.

Table E shows the anticipated allocations assumed within our M1 position.

6. Health Care agreements

The Health Board is working with other Welsh NHS bodies to ensure all contracts are agreed and signed by 11 June 2021. Draft documentation has been shared and the HB is not anticipating any disputes on either provider nor commissioner LTAs.

7. Statement of Financial Position and Aged Welsh NHS Debtors (Tables F, M)

7.1 Significant month on month balance sheet movements

Required from M3 onwards.

7.2 Details of any aged receivables/payables (over 11 weeks old) and disputed invoice information

There were no invoices greater than 11 weeks old outstanding at the 30th April 2021.

8. Cash Flow Forecast (Table G)

Required from M2 onwards.

9. Public Sector Payment Compliance (Table H)

Required quarterly from M3.

10. Capital Schemes and Other Developments (Tables I & K)

Required from M2 onwards.

11. Other Issues

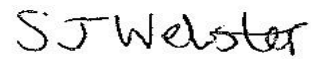
The financial position reported within this monitoring return aligns to the financial details included within the internal Board papers.

The M1 Financial Monitoring Return (consisting of the Narrative, Table A, Table B3, Tables C,C1,C2,C3 and Table F) will be reported to the next meeting of the Planning, Performance and Finance Committee in June.

14. Authorisation

A handwritten signature in black ink, appearing to be 'P Mears', with a long, sweeping underline.

P Mears
Chief Executive

A handwritten signature in black ink, appearing to be 'S Webster', written in a cursive style.

S Webster
Director of Finance

Date: 14 May 2021

Action Points arising from Month 12 Response

Action Point	WG Comment	CTM Response
12.1	The Health Board is slightly below the PSPP best practice of 95% for Non NHS (93.7%), but is significantly below for NHS invoices (64.8%). Your narrative confirms that the Non NHS invoice payment performance was significantly impacted by the release of invoices in accordance with the Covid supplier relief arrangement in April 2020. The WG expectation is that a payment performance above 95% will be achieved for Non NHS invoices in 21/22, in order to meet the historic commitment to this sector. In terms of NHS invoices, I trust that urgent actions are being identified which will result in a material improvement in performance within the next financial year.	Noted
12.2	Movement of Opening Financial Plan to Forecast Outturn (Table A) I have continually raised concerns this year in relation to the number of material adjustments to key items reported in Table A each month. This indicates material issues with your forecasting methodologies and does not provide the required level of assurance expected, on the robustness of your forecast outturn. This has continued at Month 12 with the release of further Accountancy Gains totalling c. £4.000m which I understand were required to offset increased costs across numerous service areas. I trust significant actions are being taken to ensure that there will be greater stability in your financial reporting in 2021/22, in order to rebuild our confidence in the financial reporting provided by your organisation.	Noted and agreed.
12.3	Monthly Positions (Table B) Please provide a supporting explanation for the 'Other Private and Voluntary sector' spend in March being c. £1.700m higher than projected at Month 11.	This expenditure was linked to ICF and RPB funding originally planned as expenditure to LA's
12.4	Pay Expenditure Analysis (Table B2) Please provide details of the key factors (excluding impact of Accountancy Gains) for the March Agency spend being materially the highest in this financial year. In addition, please ensure that the narrative provides the reasons (not just quoting the values shown in the Tables) for material monthly movements.	There were a number of areas where agency expenditure in M12 was higher than previous levels after allowing for accountancy gains, the most significant were:

		<ul style="list-style-type: none"> • Impact of new agency framework rates and catch up of cover from previous periods. • COVID – The expenditure for Ancillary staff increased in M12 as catch up of the field hospital costs were recognised. • M12 Impact – The accruals process at year end is more rigorous than normal month end and the extended timeline allows for more accurate accounting of agency invoices.
12.5	Covid-19 Analysis (Table B3) Please provide a supporting explanation for the inclusion of FNC cost reductions totalling £0.972m in Section C (line 121) for the first time in March.	Following discussions with Audit on our approach to accruing FNC, a revised process was agreed in 20/21 releasing £0.97m.
12.6	SOFP (Table G) I refer to Gary Young's email regarding outstanding Creditors sent 29 April 2021. I note that you have 9 Creditor invoices outstanding, which are all due for payment before your next submission.	Noted.

12.7	2021/22 Issues I am requesting that all organisations provide an update in the Month 1 narrative on the progress being made to agree and sign-off the NHS Wales 21/22 LTA/SLA's by the 11 st June 2021.	Please see Section 6 above.
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