

**AGENDA ITEM**

6.1

**PLANNING, PERFORMANCE & FINANCE COMMITTEE**
**FINANCE UPDATE – MONTH 2 of 2021/22**

|   |  |
|---|--|
| <b>Date of meeting</b>                  | 22/6/2021  |
| <b>FOI Status</b>                       | Open/Public                                      |
| <b>If closed please indicate reason</b> | Not Applicable - Public Report                   |
| <b>Prepared by</b>                      | Mark Thomas, Deputy Director of Finance          |
| <b>Presented by</b>                     | Steve Webster, Director of Finance & Procurement |
| <b>Approving Executive Sponsor</b>      | Executive Director of Finance & Procurement      |
| <b>Report purpose</b>                   | FOR DISCUSSION / REVIEW                          |

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

| <b>Committee/Group/Individuals</b> | <b>Date</b> | <b>Outcome</b> |
|------------------------------------|-------------|----------------|
| Welsh Government                   | 11/6/2021   | NOTED          |
| Management Board                   | 16/6/21     |                |

**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                                |



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## FINANCE REPORT – MONTH 2 of 2021/22

### 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 2 (M2). This report should be read in the context of the draft CTM Integrated Medium Term Plan for 2021/22 to 2023/24 which is available on the website.

The draft financial plan submitted to WG at the end of March 2021 has been updated to reflect the guidance on 'Final Annual Plans – Financial Principles & Expectations' issued by the Finance delivery Unit on 20 May 2021. The updated draft financial plan was submitted to WG on 11 June together with the M2 Monitoring Return which was consistent with the updated financial plan.

The updated 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  | 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        |
| <b>Total</b>   | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
| <b>Cumulative total</b>                              | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |            |

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



| <b>Covid costs and funding 2021/22</b>  | Q1          | Q2          | Q3          | Q4          | Total        |
|---|-------------|-------------|-------------|-------------|--------------|
|   | £m          | £m          | £m          | £m          | £m           |
| <b>Programme costs:</b>   |             |             |             |             |              |
| TTP   | 3.0         | 2.7         | 2.7         | 2.7         | 11.2         |
| Mass Vaccination  | 3.4         | 2.3         | 2.2         | 2.2         | 10.1         |
| 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          |
| <b>Sub total</b>  | <b>8.3</b>  | <b>6.9</b>  | <b>6.7</b>  | <b>6.6</b>  | <b>28.6</b>  |
| Assumed funding- programme element  | -8.3        | -6.9        | -6.7        | -6.6        | -28.6        |
| <b>Total</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>   |
| <b>Other Covid costs:</b>   |             |             |             |             |              |
| Long COVID  | 0.1         | 0.1         | 0.1         | 0.1         | 0.5          |
| 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          |
| <b>Sub total</b>  | <b>7.7</b>  | <b>6.6</b>  | <b>6.3</b>  | <b>5.5</b>  | <b>26.1</b>  |
| Confirmed funding- formula element  | -7.7        | -6.6        | -6.3        | -5.5        | -26.1        |
| Requested funding for Covid overspends from 2020/21                                 | -5.1        | -5.1        | -5.1        | -5.1        | -20.5        |
| <b>Total</b>  | <b>-5.1</b> | <b>-5.1</b> | <b>-5.1</b> | <b>-5.1</b> | <b>-20.5</b> |
| <b>Increase in Covid response costs to reflect revised assessment of bed demand</b> |             |             | 2.0         | 2.0         | 4.0          |
| <b>Requested additional funding</b>   |             |             | -2.0        | -2.0        | -4.0         |
| <b>Total</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>   |

The following sections are included in this report:



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Note 1: Please note that this is a shortened version of the usual monthly finance report. We are reviewing the Board reporting formats for 21/22 and a full report will be provided from M3.

## 2. HEADLINE MESSAGES AND KEY ACTIONS

### 2.1 Key aspects of the 2021/22 financial plan and financial outlook

The key aspects of the updated financial plan are as follows:

- Anticipated additional non-recurring Covid funding of £20.5m for the Covid overspends from 2020/21. This includes a £16.2m shortfall against the 2020/21 savings plan resulting from Covid and £4.3m of additional cost pressures. This reflects the recent funding principles issued by the Welsh Government, but will be subject to WG review, and may not be fully agreed.
- Requested additional non-recurring Covid funding of £4.0m over the confirmed Welsh Government allocation of £26.1m, to reflect the revised assessment of bed demand.
- Anticipated non-recurring allocations from Welsh Government of £4.3m in 2021/22 for investment in Think 111 First, Urgent primary care and Same Day Emergency Care (SDEC).
- The plan assumes that around £9m of existing cost pressures projected by ILGs & Directorates are avoided or managed out. There is a £5m transitional budget to support this and Covid funding for Q1 may also provide some temporary headroom if actual costs are lower.
- The plan assumes recurrent savings delivered will be £16.1m and in year savings £14.5m. In comparison with this, bottom up savings plans are so far falling significantly short of this.
- The provision for new investment in the plan is relatively low (£1m enabling) and a small amount of non-recurring funding.
- The plan is bolstered on a one off basis in 21/22 by release from the balance sheet of over £6m and by £4.7m non-recurring release of budgets committed to out of hospital transformation from 22/23. Therefore the underlying recurrent position is worse and is a £31.4 deficit provided that the assumptions above are delivered.

There is significant risk in the plan, and provided it is delivered in 2021/22, there will remain a large recurrent deficit to address from 22/23 onwards.

The overall funding position across Welsh Government is such that there is likely to be further funding potentially becoming available, particularly around planned care recovery. This may be at a level that exceeds what the NHS in Wales could practically

spend in 21/22, and so an element may be made available for other initiatives on a one-off basis. However, this is predicated on the CTM plan being delivered internally.

We will identify priorities for any non-recurring investment, and this can initially be prioritised against the internal sums set aside in the plan, but the focus needs to be on delivering the plan above, which we need to do from a sustainability perspective anyway. This will put us in the best position to be able to utilise any non-recurring WG funding which does become available.

## **2.2 Month 2**

Actual expenditure to M2 on delegated budgets was showing a £2.67m overspend and this was offset by a £2.42m underspend on Non Delegated budgets to give a net overspend of £0.25m. A significant amount of Reserve budgets have been phased into the M2 position to cover estimated costs already included in the delegated position but where funding has not yet been released into delegated budgets. Further details are provided in Section 3.8.

Whilst the Health Board is only reporting a small deficit at M2 it is important to note the following points regarding the M2 position:

- The position assumes that we get £20.5m of funding from WG for prior year Covid overspends, £4.3m for Think 111 first, urgent primary care and SDEC plus £1.5m of additional funding from Powys UHB for increased patient flow into PCH.
- However, it currently excludes the extra £4.0m of funding that has been requested to reflect the revised assessment of bed demand.
- The £14.5m in year savings target has been profiled from M3 onwards and therefore any shortfalls have not impacted the M2 position.
- The Covid budgets released into the M2 position will taper down after Q1 and at least £3.9m of the £5m Covid transition budget will be deployed to meet existing cost pressures

The percentage for the number of non-NHS invoices paid within the 30 day target for May was 93.7% (M1- 89%). The reduction in performance in M1 was due to over 1,144 nurse agency invoices not being processed within the target (6% impact). This also continued in M2 with over 545 nurse agency invoices not meeting the target (2% impact). The M2 YTD position is 91.3% and there



is a high risk that the Health Board will not achieve the 95% target for 21/22. The forecast percentage for Month 12 is currently 94%.

## **2.3 Key actions**

The key actions include:




- Identification of additional savings plans and opportunities to close the current £3.2m gap for 21/22 in advance of the final draft IMTP submission to WG at the end of June.
- Finalising the Transformation budgets and spending plans for 2021/22 and then moving on to the recurrent sustainability plan for 2022/23.
- Finalising internal accountability letters and budget sign off schedules for 2021/22.
- Finalising the trackers for monitoring the reductions in the annual leave carried forward at the end of 2020/21 and the associated impact on the annual leave provision.
- Addressing the issues causing the late payment of nurse agency invoices.

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

#### 3.1 Financial Position and Key Targets – Month 2

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 £971k and £71k for revenue and capital expenditure respectively. This means that the Health Board can overspend by £971k and £71k for revenue and capital expenditure respectively in 2021/22 and still meet its three year statutory duty. 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 2021/22 current and forecast performance against these key financial targets:

| Target   | Unit                               | Current Month | Year to Date | Trend   | Forecast Year End |
|--|------------------------------------|---------------|--------------|---|-------------------|
| <b>Revenue</b><br>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<br>+Adverse<br>( )Favourable | 243           | 252          |    | 0                 |
| <b>Capital</b><br>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<br>+Adverse<br>( )Favourable | 0             | 0            |   | 0                 |
| <b>Public Sector Payment Policy</b><br>To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance  | %                                  | 93.7%         | 91.3%        |  | 94%               |

### 3.2 Revenue Performance by Expenditure Category

|                                   | Annual Budget<br>£'000 | Over/(Under) Spend     |                       |
|-----------------------------------|------------------------|------------------------|-----------------------|
|                                   |                        | Current Month<br>£'000 | Year to Date<br>£'000 |
| <b>Delegated Budgets</b>          |                        |                        |                       |
| Pay                               | 556,613                | 835                    | 3,436                 |
| Non Pay                           | 662,869                | 952                    | (1,025)               |
| Income                            | (139,404)              | 194                    | 276                   |
| Delegated Savings Plans           | (12,338)               | (6)                    | (17)                  |
| <b>Total Delegated Budgets</b>    | <b>1,067,739</b>       | <b>1,975</b>           | <b>2,670</b>          |
| Non Delegated Budgets             | 102,331                | (1,732)                | (2,418)               |
| WG COVID Allocations              | (96,087)               | 0                      | 0                     |
| WG Allocations                    | (1,073,983)            | 0                      | 0                     |
| <b>GRAND TOTAL M1</b>             | <b>0</b>               | <b>243</b>             | <b>252</b>            |
|                                   |                        |                        |                       |
| <b>GRAND TOTAL Previous month</b> | <b>0</b>               | <b>9</b>               | <b>9</b>              |

The key issues to highlight in the M2 YTD position are as follows:

- The £3.4m pay overspend and the £1.0m non pay underspend includes a £1.6m pay overspend and £1.3m non pay underspend for BGILG. The BGILG pay overspend is currently overstated and the BGILG non pay overspend is understated due to the phasing of delegated reserve budgets in M2 and this will be corrected in M3.
- A significant amount of reserve budgets have been phased into the M2 position to cover estimated costs already included in the delegated position but where funding has not yet been released into delegated budgets. Further details are provided in Section 3.8 and the intention is to release as much of this funding as possible in M3.
- A more accurate analysis of the revenue performance by expenditure category will therefore be provided in M3.



### 3.3 Pay Expenditure trends

The M2 Pay expenditure was £49.9m and the monthly trend is summarised below.

|              | <b>M2</b>   | <b>M1</b>   | <b>M12</b>   | <b>M11</b>  | <b>M10</b>  |
|--------------|-------------|-------------|--------------|-------------|-------------|
|              | <b>£'m</b>  | <b>£'m</b>  | <b>£'m</b>   | <b>£'m</b>  | <b>£'m</b>  |
| A&C          | 6.6         | 6.4         | 15.3         | 6.3         | 6.7         |
| Medical      | 11.9        | 12.1        | 23.3         | 11.5        | 8.7         |
| Nursing      | 15.8        | 15.6        | 30.4         | 15.6        | 17.9        |
| ACS          | 6.9         | 6.4         | 14.6         | 6.2         | 7.4         |
| Other        | 8.7         | 8.8         | 19.6         | 8.54        | 9.4         |
|              |             |             |              |             |             |
| <b>Total</b> | <b>49.9</b> | <b>49.3</b> | <b>103.2</b> | <b>48.1</b> | <b>50.1</b> |

The Key issues to highlight are as follows:

- The M1 position was broadly consistent with the previous 3 months, after taking account of the following comments:
  - 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 & Additional Clinical Services (ACS) costs in M10 was due to the introduction of a new accruals methodology (Nursing £1.9m and ACS £1.2m).
- The M2 position remained consistent with M1, the only movement of note was within Additional Clinical Services, where bank costs increase by £0.5m over M1.
- During M2, the NHS COVID bonus was processed for NHS employed staff, the total payment made in M2 was £11.9m. The accrual that was recognised in 2020/21 for this payment was £13.4m. There may be further payments to be recognised and the position will be continually monitored. The financial plan and forecast does not include any benefit due to a potential release of the 2020/21 accrual.

The M2 agency expenditure was £3.2m and the monthly trend (excluding accountancy gains) is summarised below.

|              | <b>M2</b>  | <b>M1</b>  | <b>Q4 Ave</b> | <b>Q3 Ave</b> |
|--------------|------------|------------|---------------|---------------|
|              | <b>£'m</b> | <b>£'m</b> | <b>£m</b>     | <b>£m</b>     |
| Medical      | 1.0        | 1.3        | 1.3           | 1.3           |
| Nursing      | 1.5        | 1.4        | 2.0           | 1.8           |
| Other        | 0.7        | 0.8        | 0.9           | 0.7           |
|              |            |            |               |               |
| <b>Total</b> | <b>3.2</b> | <b>3.5</b> | <b>4.2</b>    | <b>3.8</b>    |

The Key issues to highlight are as follows:

- Medical agency costs and other agency costs in M1 were broadly consistent with the averages for Q4 and Q3.
- Nurse agency costs in M1 were below the Q4 average by circa £680k. This reduction included a £300k reduction in ward costs, a small change in A&E and a £280k reduction in other areas excluding A&E and Wards. This reduction was attributed to establishments starting to return to normal levels.
- The M2 position remained consistent with M1, the only movement of note was the £0.3m reduction in Medical agency.



### 3.4 Revenue Performance by Area

|                                    |                        | Over/(Under) Spend     |                       |
|------------------------------------|------------------------|------------------------|-----------------------|
|                                    | Annual Budget<br>£'000 | Current Month<br>£'000 | Year to Date<br>£'000 |
| <b>Integrated locality groups:</b> |                        |                        |                       |
| Bridgend                           | 196,976                | 250                    | 356                   |
| Merthyr & Cynon                    | 198,013                | 371                    | 535                   |
| Rhondda & Taff Ely                 | 208,048                | 446                    | 270                   |
| <b>Total ILGs</b>                  | <b>603,037</b>         | <b>1,068</b>           | <b>1,161</b>          |
| <b>Delivery Executive:</b>         |                        |                        |                       |
| Medicines Management               | 140,728                | 414                    | 106                   |
| Primary care                       | 115,560                | 593                    | 540                   |
| Facilities                         | 14,353                 | 19                     | 161                   |
| COVID Planned projects             |                        | (219)                  | 154                   |
| Other                              | 1,848                  | (20)                   | 7                     |
| <b>Total Delivery Executive</b>    | <b>272,489</b>         | <b>787</b>             | <b>969</b>            |
| Contracting & Commissioning        | 115,954                | 159                    | 110                   |
| Corporate Functions                | 76,259                 | (39)                   | 430                   |
| <b>Total Delegated Budgets</b>     | <b>1,067,739</b>       | <b>1,975</b>           | <b>2,670</b>          |
| Non Delegated budgets              | (1,067,739)            | (1,732)                | (2,418)               |
| <b>GRAND TOTAL M1</b>              | <b>0</b>               | <b>243</b>             | <b>252</b>            |
| <b>GRAND TOTAL Previous month</b>  | <b>0</b>               | <b>9</b>               | <b>9</b>              |

The key issues to highlight in the M2 YTD position are as follows:

- Circa £250k of the MC ILG overspend is attributed to new posts that have been recruited as a consequence of the additional flows from Powys following the opening of the Grange hospital.
- The Primary Care overspend includes circa £250k for Think 111 first and urgent primary care.
- The £154k overspend on COVID projects includes transactions that are still being reported against a General COVID code which should now be reported in local service areas in 21/22. This position will be reviewed for M3.

- The £429k overspend on Corporate functions includes overspends in W&OD (£135k) and ICT (£96k) which are mainly attributed to Covid.
- Reserve funding has been phased into the M2 position to cover the above overspends pending agreement of funding (see Section 3.8).
- The M2 position includes a £0.5m overspend on the Transformation project compared to the £8m annual budget which comprises £7m of funding from WG plus £1m for D2RA. This overspend is materialising in Primary Care ( £392k) and Planning & Partnerships (£95k which includes a £246k overspend offset by £151k D2RA funding).

### **3.5 Forecast Positions**

As at Month 2 we are reporting a forecast recurrent deficit of £31.4m (M1- £32.2m) at the end of 21/22. This is consistent with the latest draft financial plan submitted to Welsh Government on 11 June.





### 3.6 Covid Position

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

|   | M2<br>Actual | M2 YTD       | Updated<br>Plan/<br>Forecast |
|---|--------------|--------------|------------------------------|
|   | £m           | £m           | £m                           |
| <b>Programme costs</b>                              |              |              |                              |
| TTP   | 0.98         | 1.73         | 11.2                         |
| Mass Vaccination                                    | 1.27         | 2.3          | 10.1                         |
| Extended Flu  | 0            | 0            | 0                            |
| Cleaning standards                                  | 0            | 0.19         | 2.1                          |
| CHC/FNC support                                     | 0.3          | 0.6          | 3.6                          |
| PPE   | 0.26         | 0.4          | 1.7                          |
| <b>Sub total</b>                                    | <b>2.81</b>  | <b>5.22</b>  | <b>28.6</b>                  |
| Assumed funding – programme element                 | (2.81)       | (5.22)       | (28.6)                       |
| <b>Total Programme costs</b>                        | <b>0</b>     | <b>0</b>     | <b>0</b>                     |
| <b>Other Covid costs:</b>                           |              |              |                              |
| Field hospital                                      | 0.34         | 0.95         | 3.0                          |
| Dental income loss                                  | 0.3          | 0.33         | 2.7                          |
| Operational expenditure cost reduction              | (0.2)        | (0.7)        | (1.3)                        |
| Other covid costs                                   | 2.2          | 3.9          | 25.7                         |
| Planned Care Recovery                               | 0.7          | 0.7          | 16.8                         |
| <b>Sub total</b>                                    | <b>3.34</b>  | <b>5.18</b>  | <b>46.9</b>                  |
| Confirmed funding                                   | (3.34)       | (5.18)       | (46.9)                       |
| Requested funding for Covid overspends from 2020/21 | (1.7)        | (3.4)        | (20.5)                       |
| <b>Total Other Covid costs</b>                      | <b>(1.7)</b> | <b>(3.4)</b> | <b>(20.5)</b>                |

The key points to note are as follows:



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- The forecast for Mass vaccination has increased by £0.5m from the Opening plan and the forecast for cleaning standards has reduced by £0.3m.
- The forecast for TTP includes £0.3m for the Community testing across CTM. No costs have been reported to M2 pending confirmation of the actual costs incurred from the LAs.
- We are also awaiting updated forecasts from the LAs for their Mass vaccination and TTP costs.
- The draft profile for the Planned care recovery plan is as follows:

|       | Plan | Actual/Forecast |
|-------|------|-----------------|
|       | £m   | £m              |
| Q1    | 2.4  | 2.4             |
| Q2    | 6.2  | 6.2             |
| Q3    | 5.3  | 5.3             |
| Q4    | 2.9  | 2.9             |
|       |      |                 |
| Total | 16.8 | 16.8            |



### 3.7 Savings Performance by Area

The financial plan for 2020/21 includes a £14.5m In Year savings target which has been phased from M3 onwards. The recurring savings target is £16.1m.

|                             | Month 2   |            |            |
|-----------------------------|-----------|------------|------------|
|                             | M2<br>YTD | 20/21      | Rec        |
|                             | £m        | £m         | £m         |
| Savings targets             | 0         | 14.5       | 16.1       |
| Actual and Forecast Savings | 0         | (11.3)     | (7.4)      |
| <b>Total</b>                | <b>0</b>  | <b>3.2</b> | <b>8.7</b> |

A summary analysis by ILG, service area and Corporate directorates is provided overleaf. The forecast In year savings of £11.3m includes £3.3m of anticipated non-recurring savings from ILGs which are enabled by the increased Covid funding resulting from the re-alignment of the plan to reflect higher Covid costs but no Covid related abatement to savings targets.

Further urgent work is still needed to close the £3.2m gap for 21/22 in advance of the final draft IMTP submission to WG at the end of June.



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| Area                        | In year Savings Target £000 | Green        | Amber        | Red        | Current In Year Forecast | % of Current Year Forecast to Target |
|-----------------------------|-----------------------------|--------------|--------------|------------|--------------------------|--------------------------------------|
| Bridgend ILG                | 4,031                       | 5            |              | 725        | 730                      | 18.1%                                |
| Merthyr & Cynon ILG         | 3,579                       | 2,011        | 891          | 0          | 2,902                    | 81.1%                                |
| Rhondda & Taf ILG           | 3,954                       | 609          | 792          | 0          | 1,401                    | 35.4%                                |
| Medicines Management        | 1,752                       | 0            | 2,160        |            | 2,160                    | 123.3%                               |
| Primary Care                | 138                         | 150          |              | 30         | 180                      | 130.4%                               |
| Corporates                  | 766                         | 501          | 146          | 0          | 646                      | 84.4%                                |
| Other Delivery Executive    | 187                         | 0            | 0            | 0          | 0                        | 0.0%                                 |
| Contracting & Commissioning | 90                          |              |              | 0          | 0                        | 0.0%                                 |
| Non Recurring ILG Savings   | 0                           |              | 3,300        |            | 3,300                    | 0.0%                                 |
| <b>Grand Total</b>          | <b>14,497</b>               | <b>3,276</b> | <b>7,288</b> | <b>755</b> | <b>11,319</b>            | <b>78.08%</b>                        |

| Area                        | Recurrent Savings Target £000 | Green        | Amber        | Red        | Forecast recurrent savings | % of Forecast recurrent savings to Target |
|-----------------------------|-------------------------------|--------------|--------------|------------|----------------------------|---|
| Bridgend ILG                | 4,031                         | 10           |              | 741        | 751                        | 18.6%                                     |
| Merthyr & Cynon ILG         | 3,579                         | 1,301        | 630          |            | 1,931                      | 53.9%                                     |
| Rhondda & Taf ILG           | 3,954                         | 167          | 1,258        |            | 1,426                      | 36.1%                                     |
| Medicines Management        | 2,708                         |              | 2,110        |            | 2,110                      | 77.9%                                     |
| Primary Care                | 213                           | 50           |              | 120        | 170                        | 79.8%                                     |
| Corporates                  | 1,184                         | 539          | 381          |            | 920                        | 77.7%                                     |
| Other Delivery Executive    | 289                           |              | 188          |            | 188                        | 65.1%                                     |
| Contracting & Commissioning | 139                           |              |              |            | 0                          | 0.0%                                      |
| Non Delegated               | 0                             |              |              |            | 0                          | 0.0%                                      |
| <b>Grand Total</b>          | <b>16,097</b>                 | <b>2,068</b> | <b>4,567</b> | <b>861</b> | <b>7,496</b>               | <b>46.57%</b>                             |

### 3.8 Non Delegated budgets

The Month 2 position is summarised below:

|  |                |
|--|----------------|
|  | M2             |
|  | £k             |
| Non Recurring slippage – Annual target £2.0m   | 333            |
| Actual Slippage  | (501)          |
| Phasing in of Reserve budgets to cover estimated costs already included in the Delegated position but where funding has not yet been released from Reserves: |                |
| - Investment in ED ( Reserve budget £1m)   | (167)          |
| - Investment in Think 111 first and urgent primary care ( Assumed WG allocations for £2.5m and £0.6m)  | (250)          |
| - Investment in SDEC ( Assumed WG allocation for £1.2m)  | (200)          |
| - Additional costs associated with Powys flows ( Assumed additional funding from Powys of £1.5m)   | (250)          |
| - Covid response costs outside ILGs ( Extra Reserve budget Q1: £0.3m)  | (200)          |
| - Covid digital costs ( Extra Reserve budget Q1: £0.2m)  | (133)          |
| - Other Covid budgets  | (400)          |
| - Covid Transition budget- £3.9m of £5m transition budget deployed to meet existing cost pressures   | (650)          |
| Other variances  | 0              |
| <b>Total</b>   | <b>(2,417)</b> |

### 3.9 Key Risks and Opportunities

The key financial risks and opportunities for 21/22 are summarised below. These are consistent with the latest draft financial plan submitted to WG on 11 June:

|   | M2         | M1          | Comment  |
|---|------------|-------------|--|
| <b>Key risks:</b>   | £m         | £m          |  |
| Unavoidable costs associated with TI status exceeding funding                                     | 0          | 0.5         | Risk removed as funding now confirmed  |
| Shortfall against savings plan  | 2.5        | 5.4         | High level risk assessment based on current plans  |
| Underlying deficit cannot be brought back in line with plan assumption                            | 3.0        | 3.0         | ILG plans are showing underlying deficits above the plan assumption                                |
| Unavoidable recurring service/cost pressures exceeding plan                                       | 1.0        | 1.0         | The main risk areas are CHC growth and prescribing growth exceeding the planned growth assumptions |
| Potential LTA differences   | 0          | 0.2         | Risk removed in M2   |
| COVID reactive costs exceeding plan   | 0          | 2.0         | Risk removed in M2 following a reassessment of costs.  |
| Unavoidable costs of the Transformation programmes exceeding the confirmed WG funding for 2020/21 | 2.0        | 0           | The M2 position is showing an over spend of £0.5m against the confirmed funding WG.                |
| <b>Total</b>  | <b>8.5</b> | <b>12.1</b> |  |

|  | M2    | M1    | Comment   |
|--|-------|-------|---|
| <b>Key opportunities:</b>  | £m    | £m    |   |
| Delay / Stop new investments   | (0.3) | (0.5) | Risk reduced in M2 as the slippage target in the updated plan has been increased from £1m to £2m.                     |
| Further balance sheet review   | (1.2) | (1.2) | Initial assessment only. Continuous review as year progresses   |
| Potential for annual leave reduction being greater than costs incurred | (1.0) | (1.0) | Initial assessment only. Will be updated on a quarterly basis but will need M6 data to form a more robust assessment. |



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|              |              |              |  |
|--------------|--------------|--------------|--|
| <b>Total</b> | <b>(2.5)</b> | <b>(2.7)</b> |  |
|--------------|--------------|--------------|--|

#### 4. IMPACT ASSESSMENT

|   |   |
|---|---|
| <b>Quality/Safety/Patient Experience implications</b>               | There are no specific quality and safety implications related to the activity outlined in this report.                |
| <b>Related Health and Care standard(s)</b>                          | Governance, Leadership and Accountability   |
| <b>Equality impact assessment completed</b>                         | Not required  |
| <b>Legal implications / impact</b>                                  | There are no specific legal implications related to the activity outlined in this report.                             |
| <b>Resource (Capital/Revenue £/Workforce) implications / Impact</b> | Yes (Include further detail below)  |
|   | The paper is directly relevant to the allocation and utilisation of resources.  |
| <b>Link to Main Strategic Objective</b>                             | To provide strong governance and assurance  |
| <b>Link to Main WCFG Act Objective</b>                              | 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 2 Finance report for 2021/22.

## APPENDIX A

### WELSH GOVERNMENT ALLOCATIONS

|                     | Annual<br>Budget |
|---------------------|------------------|
|                     | £k               |
| Confirmed funding   | 1,094,804        |
| Unconfirmed funding | 75,266           |
| <b>TOTAL</b>        | <b>1,170,070</b> |

### Key Issues

The most significant anticipated allocations include:

- COVID Pass through Programmes - £28.7m
- COVID Underlying Deficit Support - £20.5m
- COVID sustainability - £4m
- Transformation Fund - £7m
- Substance Misuse - £3.7m
- Targeted Intervention Support - £2.5m
- Invest to Save Funding - £2.1m
- ICF Dementia Funding - £1.2m
- Healthier Wales Prevention & Early Years Funding - £1m



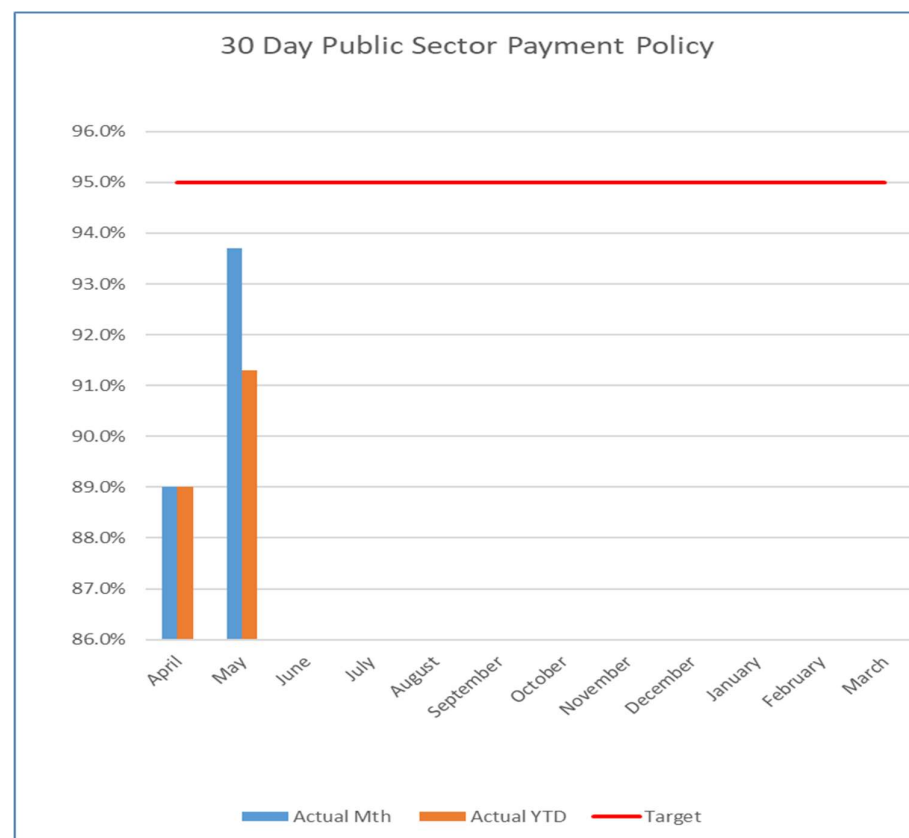




## APPENDIX B

### 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 May was 93.7% (M1- 89%).
- The reduction in performance in M1 was due to over 1,144 nurse agency invoices not being processed within the target (6% impact). This also continued in M2 with over 545 nurse agency invoices not meeting the target (2% impact).
- The M2 YTD position is 91.3% and there is a high risk that the Health Board will not achieve the 95% target for 21/22. The forecast percentage for Month 12 is currently 94%.

