

AGENDA ITEM

6.1

PLANNING, PERFORMANCE & FINANCE COMMITTEE
FINANCE UPDATE – MONTH 10 of 2020/21
Date of meeting

25/2/2021

FOI Status

Open/Public

If closed please indicate reason

Not Applicable - Public Report

Prepared by

Mark Thomas, Deputy Director of Finance

Presented by

Steve Webster, Director of Finance & Procurement

Approving Executive Sponsor

Executive Director of Finance & Procurement

Report purpose

FOR DISCUSSION / REVIEW

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

Committee/Group/Individuals	Date	Outcome
Welsh Government	11/2/2021	NOTED
Management Board	23/2/2021	NOTED

ACRONYMS

A&C	Administration & Clerical	I&E	Income & Expenditure
AWCP	All Wales Capital Programme	LTA	Long Term Agreement
AME	(WG) Annually Managed Expenditure	M1	Month 1 (M2 Month 2 etc)
CHC	Continuing Healthcare	PCMH	Primary Community & Mental Health
COO	Chief Operating Officer	PCH	Prince Charles Hospital

CRES	Cash Releasing Efficiency Savings	POW	Princess of Wales Hospital
CRL	Capital Resource Limit	RGH	Royal Glamorgan Hospital
FNC	Funded Nursing Care	PSPP	Public Sector Payment Policy
HCHS	Healthcare & Hospital Services	WG	Welsh Government
IHI	Institute of Healthcare Improvements	WHSSC	Welsh Health Specialised Services Committee
IMTP	Integrated Medium Term Plan	YTD	Year to Date

FINANCE REPORT – MONTH 10 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 10 (M10).

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 impact of Covid-19 has had a significant impact on the financial plan for 20/21.

The following sections are included in this report:



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2. HEADLINE MESSAGES AND KEY ACTIONS

2.1.1. Headline Messages

Budgets were reset in Month 7 to take account of the significant additional allocations for Covid from the Welsh Government. Actual expenditure to Month 9 on Delegated budgets was £1.9m under those reset budgets and this was offset by a £1.9m overspend on Non Delegated budgets to give a small M9 Year to date underspend of £0.1m. In Month 10 expenditure was close to delegated budgets at £0.44m under budget and this was offset by a £0.39m overspend on Non Delegated budgets. The main underspending areas in M10 were Primary Care and Corporate directorates. The Primary Care underspend includes additional Qaif funding, rates rebates and slippage on cluster spend plans.

The key changes in the financial outlook within this report relate to forecasts.

Whilst the overall forecast has remained at break-even, the planned return of funding to WG (subject to outcome of discussions with Audit Wales regarding a potential Prior Year Adjustment(PYA)) has increased by £1.2m to £21.0m (M9:£19.8m). This increase relates to unexpected additional Welsh Government funding, over the notified level we had built into our forecast, to support the delivery of the four urgent and emergency care priorities. Our assumed allocation was £3.1m but we were notified on the 5th February that our allocation is now £4.3m.

We have also adjusted anticipated allocations downwards for Covid programme costs to minimise the risk of a surplus position. Please see table below. The main change relates to Mass vaccination costs where the forecast costs have increased by circa £0.8m to £2.9m. However, we have reduced our anticipated allocation to £0.7m to take account of a £1.6m improvement on the TTP and PPE forecasts plus £0.6m of other improvements.



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Summary of WG programme costs and anticipated allocations	M9 Forecast	M10 Forecast	M10 Confirmed Allocations	M10 Anticipated Allocations
	£k	£k	£k	£k
Field Hospital set up	5,742	5,349	2,987	2,362
Field Hospital decommissioning	720	720	0	720
Track, Trace & Protect (TTP)	9,670	8,926	9,671	0
Continuing Healthcare	3,400	3,400	3,390	0
Personal Protective Equipment (PPE)	6,063	5,230	6,063	0
Independent Hospitals	600	190	0	0
Extended Flu	700	235	238	0
Mass Vaccination	2,169	2,928	0	728
Annual Leave	15,400	13,400		13,400
Total	44,464	40,378	22,349	17,210

The PYA risk is in excess of £9.4m as this is the materiality threshold for 19/20. If a PYA is required, this will need to be covered from the planned return of funding of £21.0m, and so would obviously reduce that return. Otherwise, the full £21.0m is planned to be returned to Welsh Government, provided Welsh Government is in agreement with this. Discussions are ongoing with Audit Wales on this key issue and we have been planning to do a formal Accountable officer letter to propose the amount to be returned, once we have a sufficient shared understanding from Audit Wales on the need or otherwise for a Prior Year Adjustment.

The main outstanding issue regarding the potential need for a PYA relates to the treatment of CHC accruals, and particularly whether the planned write backs in 2020/21 are regarded as a change in accounting estimate, which would not count against the PYA materiality threshold, or a correction of an error, which would. This also extends to the remaining CHC balances at 31 March 2021 and the extent to which Audit Wales considers the accruals to be potentially overstated.

Following the submission of our M10 Monitoring Return, WG have subsequently indicated that the Accountable Officer process for returning any surplus funding that we are not able to utilise has now been completed and that we should no longer assume that this option is definitely available. Further advice is therefore needed from WG regarding our planned return of funding (subject to outcome of discussions with Audit Wales regarding a potential Prior Year adjustment) of £21.0m.

There remains a significant risk that the final position will be different to the £21.0m forecast. The key areas of risk are around further slippage in Winter schemes, slippage against non-recurrent expenditure schemes, and balance sheet risks, including the annual leave accrual. There is still a bigger risk of a larger surplus than of a lower surplus.

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 are as follows:

- Managing to the new delegated budgets for 20/21 following allocation of the further WG Covid funding.
- Tracking the forecast costs for the Winter schemes, non recurrent expenditure schemes and the estimated annual leave provision.
- Working with Audit Wales to finalise the discussions regarding key balance sheet principles and a potential Prior Year Adjustment, seeking WG advice on ability to return allocation as we had assumed, and to seek formal Board re-approval for the specific value.
- 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 10

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	(50)	(150)	↑	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	(200)	(1,125)	↑	0
Public Sector Payment Policy To pay a minimum of 95% of all Non NHS invoices within 30 days. Measured by actual performance	%	95.1%	93.2%	↑	93.5%

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	578,355	(243)	(2,647)			
Non Pay	712,350	(593)	(1,966)			
Income	(129,395)	(43)	(406)			
Delegated Savings Plans	(4,191)	440	2,640			
Total Delegated Budgets	1,157,118	(438)	(2,379)			
Non Delegated Budgets	58,939	388	2,229			3.7
WG COVID Allocations	(111,197)	0	0			
WG Allocations	(1,104,860)	0	0			
GRAND TOTAL M10	0	(50)	(150)	0	27,900	
GRAND TOTAL M9	0	2,806	(99)	0	27,400	

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 over spends and underspends in M7-10 therefore represent operational variances from the forecast overspends in the Q3/Q4 Plan.

The Key variances are as follows:

The overall Income and Expenditure position improved in M10 with an under spend of £50k. This includes a delegated underspend of £438k , offset by an over spend on non-delegated budgets of £388k. The delegated current month underspend of £438k includes an under achievement in savings delivery of £440k plus a net under spend on pay, non-pay and income of £878k.

The most significant variances reported in the M10 current month position include:

- Pay overspends– BG ILG £373k.
- Pay underspends– RTE ILG £308k, Primary Care £153k and Corporate directorates £139k.
- Non pay overspends – MC ILG £154k, Facilities £432k.
- Non pay underspends – BG ILG £360k, Medicines Management £342k, Primary Care £129k and Corporate directorates £359k.
- Income overspends - Medicines Management £162k.
- Income underspends - Primary Care £176k and Corporate directorates £159k.

The most significant variances reported in the M10 year to date position include:

- Pay underspends – BG ILG £471k, MC ILG £639k, RTE ILG £911k, Primary Care £240k, Medicines Management £169k and Corporate directorates £183k. These variances are due to a variety of reasons including slippage on Q3-4 plans.
- Non pay overspends- MC ILG £104k, RTE ILG £149k, Facilities £437k and Corporate directorates £215k.
- Non pay underspends– BG ILG £516k, Primary Care £820k and Contracting & Commissioning £1477k.
- Income overspends- BG ILG £440k and RTE ILG £160k.
- Income underspends- MC ILG £200k, Medicines Management £411k, Primary care £148k and Corporate directorates £274k.



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3.3 Revenue Performance by Area

	Annual Budget £'000	Over/(Under) Spend			
		Current Month £'000	Year to Date £'000	M10 Forecast (Day 9) £'000	Recurrent Forecast £'000
Integrated locality groups:				Section 3.4	Section 3.4
Bridgend	203,100	(21)	(280)	(867)	
Merthyr & Cynon	201,993	30	(410)	(1,537)	
Rhondda & Taff Ely	213,968	122	(236)	(726)	
Total ILGs	619,061	131	(926)	(3,130)	
Delivery Executive:					
Medicines Management	136,425	(26)	272	(1,171)	
Primary care	127,972	(435)	(958)	(1,167)	
Facilities	20,218	495	547	1,217	
COVID Planned projects	22,592	3	0	263	
Other	2,578	(27)	(63)	(305)	
Total Delivery Executive	309,784	9	(203)	(1,163)	
Contracting & Commissioning	135,845	70	(1,530)	(1,617)	
Corporate Functions	92,427	(648)	281	(2,317)	
Total Delegated Budgets	1,157,118	(438)	(2,378)	(8,227)	
Non Delegated budgets	(1,157,118)	388	2,229	8,227	
GRAND TOTAL M10	0	(50)	(150)	0	27,900
GRAND TOTAL M9	0	2,806	(99)	0	27,400



Key variances

- The above table shows the current month, YTD and forecast positions by Area rather than by Expenditure categories as in Section 3.2 above.
- The main movements in the Current month include:
 - Facilities overspend £495k. This is largely driven by ongoing COVID expenditure on PPE and other items over and above the funding allocation received based on the Q3/4 forecast
 - Primary care underspends £435k. This mainly relates to additional Qaif funding (£110k ytd), rates rebates received (£260k) and cluster spend in month being less than plan (£100k)
 - Corporate directorate underspends £648k. This includes ICT £385k and Planning & Partnerships £214k.

3.4 Forecast Position

The Health Board is continuing to forecast a break-even position for 20/21 (M8: break-even):

	M10	M9
	£m	£m
Forecast underspends on Delegated budgets	(8.2)	(5.8)
Forecast underspends on Non delegated budgets	(11.8)	(14.0)
Planned return of funding to WG , subject to outcome of discussions with Audit Wales regarding a potential Prior Year adjustment	21.0	19.8
Total Forecast	0	0

A summary of the latest M10 forecast position is provided below:

	M10	M9
IMTP / Annual Operating Plan	£m	£m
Additional In Year Identified Savings - Forecast (Positive Value)	(10.2)	(10.1)
Additional In Year Welsh Government Funding Due To Covid-19 (Positive Value)	111.2	112.3
Operational Expenditure Cost Increase Due To Covid-19 (Negative Value)	(91.5)	(93.8)



Planned Operational Expenditure Cost Reduction Due To Covid-19 (Positive Value)	16.9	18.0
Slippage on Planned Investments/Repurposing of Developmental Initiatives Due To Covid-19 (Positive Value)	3.6	3.6
Forecast Outturn attributable to Covid-19 (-Deficit /+ Surplus)	29.9	30.0
Forecast Outturn Non Covid-19 (-Deficit /+ Surplus)	0.4	(0.5)
Net cost of Winter plans in excess of funding	(4.8)	(5.2)
Additional accountancy gains	11.7	11.3
Non recurring spend initiatives	(8.2)	(7.8)
Remove request for Bridging funding	(5.0)	(5.0)
Confirmed early repayment and deferral of I2S funding	(3.0)	(3.0)
Planned return of funding to WG , subject to outcome of discussions with Audit Wales regarding a potential Prior Year adjustment	(21.0)	(19.8)
Total	0	0

The key points to note are as follows:

- The planned return of funding to WG, subject to outcome of discussions with Audit Wales regarding a potential Prior Year adjustment, and subject to the assumptions made around WG programme funding (see Section below) , is £21.0m. The PYA risk is in excess of £9.4m as this is the materiality threshold for 19/20. Discussions are ongoing with Audit Wales on this key issue. If a PYA is required, this will need to be covered from the planned return of funding of £21.0m. If not required, the full £21.0m will be returned to WG. We are planning to do a formal Accountable officer letter to propose the amount to be returned, once we have a sufficient shared understanding from Audit Wales on the need or otherwise for a Prior Year Adjustment.
- The planned return of funding to WG has increased by £1.2m in M10. This increase relates to unexpected additional Welsh Government funding, over the notified level we had built into our forecast, to support the delivery of the four urgent and emergency care priorities. Our assumed allocation was £3.1m but we were notified on the 5th February that our allocation is now £4.3m. This funding is included in the forecast Covid surplus of 329.9m together with forecast expenditure of £4.3m.

- We have also adjusted anticipated allocations downwards for Covid programme costs to minimise the risk of a surplus position. Please see the Section below on 'Summary of WG funding due to COVID-19'.

- The annual leave provision at 31 March 20 was circa £0.5m. The estimated provision at 31 March 21 is £13.9m, which represents an increase of £13.4m. This increase has been confirmed by WG for funding purposes. It is important to highlight the potential risk that the actual provision at 31 March could change if the actual annual leave taken in Q4 is significantly different to the Q4 estimate. This is therefore a key area of uncertainty in the financial forecast and the risk has been included in the Risk table at Section 3.8.
- Annual leave on overtime provision. Following a recent discussion at Deputy DoFs our understanding is that the work is being done centrally to confirm the increased costs for 20/21 and that these costs will be funded by WG.
- 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.



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Summary of WG funding due to COVID-19

A breakdown of the total funding of £1111.2m is provided below:

	Confirmed Allocations £'k	Anticipated Allocations £'k
Q1 Staff	7,875	
Field Hospital set up	2,987	
GMS Enhanced Service	178	
Mental Health (6 Months)	564	
Transformation	1,340	
CHC	3,390	
Track & Trace	4,793	
TTP	4878	
PPE	6,063	
Voluntary sector	200	
C-19 RPB Recovery	24	
Pharmacy Allocation	848	
Dental ventilation	61	
Flu	238	
COVID support	56,200	
Urgent Emergency Care		4,348
Pass through Programme costs- see below		17,210
Total M10	89,639	21,558
Total M9	77,101	35,244



	M9 Forecast	M10 Forecast	M10 Confirmed Allocations	M10 Anticipated Allocations
	£k	£k	£k	£k
Field Hospital set up	5,742	5,349	2,987	2,362
FH Decommissioning	720	720	0	720
TTP	9,670	8,926	9,671	0
CHC	3,400	3,400	3,390	0
PPE	6,063	5,230	6,063	0
Independent Hospitals	600	190	0	0
Extended Flu	700	235	238	0
Mass Vaccination	2,169	2,928	0	728
Annual Leave	15,400	13,400		13,400
Total	44,464	40,378	22,349	17,210

The key points to highlight are as follows:

- The anticipated allocation for annual leave was reduced after the M9 submission and is expected shortly.
- The allocations for TTP and PPE have now been received based on the M9 forecasts. These forecast have improved in M10 by £745k and £833k respectively.
- The forecast costs for Field hospital set up and Extended flu have also improved and we have reduced the anticipated allocations accordingly.
- The forecast costs for Independent hospitals has reduced to only £190k and these costs can be managed within our overall position.
- The forecast for Mass vaccination costs has increased by circa £0.8m to £2.9m. However, we have reduced our anticipated allocation to £0.7m to take account of the £1.6m improvement on TTP and PPE noted above plus £0.6m of other improvements.

We have adjusted our anticipated allocations downwards for Covid programme costs in order to minimize the risk of a surplus position.

Forecast recurrent position

The planned recurrent deficit for the end of 2020/21 was £13.4m. As at Month 10 we are reporting a forecast recurrent deficit of £27.9m:

	M10	M9
	£m	£m
Planned recurrent deficit	13.4	13.4
Forecast shortfall in recurring savings delivery	14.5	14.0
M5 Forecast	27.9	27.4

At this stage it is very difficult to separate out the impact of Covid on the financial position going into 20/21 and further work is needed to fully understand the impact of Covid 19 on the underlying cost base. It is however, clear that it will be considerably in excess of the £27.9m shown. The above forecast will continue 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	8.1	24.4	45.7
Non Pay and Income	9.4	11.4	12.3	10.2	45.8
Impact on savings delivery	4.1	2.2	2.2	1.8	10.2
Operational expenditure reductions	(4.7)	(2.0)	(4.3)	(3.4)	(16.9)
Slippage on planned investments/repurposing of development funding	(1.3)	(0.9)	(0.6)	(0.8)	(3.6)
Sub total	14.8	16.6	17.7	32.2	81.3
WG funding	(10.3)	(21.1)	(17.7)	(62.1)	(111.2)
Total	4.5	(4.5)	(0)	(29.9)	(29.9)

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



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	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total YTD	Forecast year-end position	Mth 9 F/Cast	Change from Mth 9
	£'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	(253)	0	0	1,698	1,698	2,051	(353)
Bridgend Field Hospital	951	984	350	(43)	36	667	1,561	328	565	715	625	1,218	6,114	7,957	8,403	(446)
Marsh House Nursing Home	47	140	78	138	51	(31)	19	56	22	30	22	22	550	594	586	8
Abergaw Nursing Home	55	138	112	197	56	(17)	43	2	0	(52)	0	0	534	534	586	(52)
Internal Capacity	71	79	134	114	51	111	71	451	(173)	161	141	141	1,070	1,353	1,093	260
Operational Expend. Reduction	(726)	(1,816)	(2,211)	(1,347)	(1,089)	393	(837)	(1,069)	(2,442)	112	(1,403)	(1,403)	(11,031)	(13,837)	(15,091)	1,254
Private Patient Income	160	244	149	213	181	190	25	189	109	104	113	113	1,564	1,790	1,949	(159)
PPE	96	131	188	208	243	33	233	374	2,432	428	413	413	4,366	5,192	6,063	(871)
Med Staff	380	347	717	329	(35)	207	(393)	727	(526)	606	(21)	(21)	2,359	2,317	1,741	576
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	3,400	0
Staff Welfare	3	3	3	3	3	3	3	3	3	3	3	3	30	36	36	0
PC Prescribing	0	0	1,371	1,772	549	260	473	585	988	62	400	412	6,060	6,872	7,372	(500)
Primary Care	339	247	585	678	152	478	434	298	419	670	191	299	4,300	4,790	5,023	(233)
Flu Expansion	0	0	0	0	0	0	0	350	(115)	0	0	0	235	235	700	(465)
IT	40	60	61	(106)	171	80	62	122	135	(110)	4	4	515	523	734	(211)
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	500	(336)	412	444	1,727	2,583	2,995	(412)
AntiB testing	0	0	0	0	348	68	(40)	75	29	29	47	40	509	597	667	(70)
Hospital Based Testing	0	77	153	141	159	63	40	86	95	23	60	60	837	957	1,216	(259)
Contact Tracing	0	0	0	0	0	311	564	498	363	1,155	944	1,002	2,891	4,837	4,792	44
Mass Vaccination	0	0	0	0	0	0	0	32	317	619	585	1,376	968	2,929	2,169	760
Excess Deaths	30	0	15	15	23	11	11	0	9	9	9	9	123	141	114	27
Students	0	815	893	1,002	543	418	222	138	83	63	50	50	4,177	4,277	4,114	163
HCSW FT Recruitment	0	0	0	216	223	(92)	203	111	186	246	200	200	1,093	1,493	1,147	346
Private Hospitals	0	0	0	0	0	0	0	0	0	30	60	100	30	190	600	(410)
Other	1,535	2,195	454	1,210	667	1,206	2,244	1,306	2,486	3,057	1,675	14,820	16,362	32,857	33,010	(153)
SUBTOTAL	4,742	4,161	3,123	5,428	2,669	7,210	5,196	5,096	5,820	7,371	4,531	19,303	50,817	74,651	75,806	(1,155)
Undelivered Savings	1,554	1,901	600	792	563	801	523	910	764	957	435	433	9,365	10,233	10,090	142
Slippage/Repurposing	(273)	(269)	(752)	(318)	403	(981)	(91)	(319)	(188)	(254)	(254)	(257)	(3,042)	(3,553)	(3,553)	0
WG COVID Funding			(10,289)	0	(794)	(20,270)	(5,628)	(5,687)	(6,396)	(8,074)	(4,712)	(49,346)	(57,139)	(111,197)	(112,345)	1,148
TOTAL	6,023	5,793	(7,318)	5,902	2,841	(13,240)	0	0	0	0	0	(29,867)	1	(29,866)	(30,002)	135

Further information on the key areas of additional costs and the movements from the M9 forecast are summarised below:

Field hospitals and nursing homes (£10.8m) -The M10 forecast of £10.8m has decreased by £0.8m from M9. The key movements are summarised below:

	M10	M9
	£m	£m
Field hospitals – set up costs	5.4	5.7
Field hospitals – decommissioning costs	0.7	0.7
Running costs	2.7	2.4
Additional staffing costs to open up extra beds at Ysbwty Seren	2.0	2.8
Total	10.8	11.6

TTP (Track, Trace & protect including Antigen and Antibody testing (£9.0m)) - The M10 forecast of £9.0m has reduced by £0.7m from M9 and the key movements are shown below:

	M10	M9
	£m	£m
Antigen Testing	2.6	3.0
Antibody Testing	0.6	0.7
Hospital Based Lab Testing	1.0	1.2
Track & Trace	4.8	4.8
Total	9.0	9.7

The additional Local Authority costs associated with Whole Community Testing in Merthyr and Lower Cynon Valley are anticipated to be reported directly by the LAs via the Hardship fund.

Use of the Vale and Cardiff Bay Nuffield Facilities (£0.2m) – The latest forecast assumes a cost of £0.2m for the period Jan to March 2021 (M9:£0.6m). The reduction in the M10 forecast is due to reduced activity levels.

Primary Care Prescribing (£6.9m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost impact	£m	£m	£m	£m	£m	£m
Primary care prescribing	1.4	2.5	2.0	0.9	6.9	7.4

The latest projection of £6.9m assumes a further reduction in the rate of over spend in Months 10-12. 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 (£4.8m) plus extended Flu programme (£0.2m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost impact	£m	£m	£m	£m	£m	£m
Loss of dental patient charge income	1.5	1.4	1.0	1.1	5.0	5.1
Reduced dental contract payments	(1.1)	(0.5)	(0.4)	(0.6)	(2.5)	(2.4)
Dental sub total	0.4	0.9	0.6	0.5	2.5	2.7
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	0.8



Estimated costs of extending Flu to 50+ age group	0	0	0.2	0.0	0.2	0.7
Total	1.2	1.3	2.4	1.1	5.0	5.7

The M10 forecast has reduced by £0.7m from M9 and this is mainly due to a reduction in the expected costs of the Flu extension programme from £0.7m in M9 to £0.2m in M10.

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

PPE (£5.2m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost impact	£m	£m	£m	£m	£m	£m
PPE	0.4	0.5	3.0	1.3	5.2	6.1

The M10 forecast of £5.2m has decreased by £0.9m from M9. The actual expenditure in M10 was £0.4m compared to a forecast of £0.7m. The latest forecast assumes that this reduced level of spend will continue in M11 and M12.

Medical Staff (£2.3m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost impact	£m	£m	£m	£m	£m	£m
Medical staffing	1.4	0.5	(0.2)	0.6	2.3	1.7

The M10 forecast of £2.3m has increased by £0.6m from M9.

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 to M10 is provided below:

	Q1	Q2	Q3	M10	M10 YTD
	£k	£k	£k	£'k	£k
Bridgend ILG	713	468	253	699	2,337
Merthyr & Cynon ILG	534	137	(26)	(4)	641
Rhondda & Taf ILG	198	38	10	50	340
Other	0	(142)	(429)	(143)	(1,000)
Total	1,445	500	(193)	606	2,317

Internal capacity (£1.4m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost impact	£m	£m	£m	£m	£m	£m
Internal capacity	0.3	0.3	0.3	0.4	1.4	1.1

Following a recovery of expenditure in M10, the M9 forecast of £1.1m has been increased by £0.3m.

Continuing Healthcare (£3.4m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost impact	£m	£m	£m	£m	£m	£m
CHC	0	3.4	0	0	3.4	3.4

The M10 forecast of £3.4m remains unchanged. 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 with our providers to ensure all payments are processed as soon as possible.

Students (£4.3m) and HCSWs (£1.5m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost impact	£m	£m	£m	£m	£m	£m
Students	1.7	2.0	0.4	0.2	4.3	4.1
HCSW's Fixed Term recruitment	0	0.3	0.5	0.6	1.5	1.1
Total	1.7	2.3	0.9	0.7	5.8	5.2

The M10 forecast for Students and HCSW's has increased by £0.2m and £0.4m respectively. Students are still being retained in the service and progress is being made on extending the existing fixed term HCSW posts which were approaching the end of their contracts.

Other reactive costs including ward nursing (£32.9m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost impact	£m	£m	£m	£m	£m	£m
Estimated impact of increased annual leave being carried forward at the end of 20/21	0	0	0	13.4	13.4	15.4
Other reactive costs	4.2	3.1	6.0	6.2	19.5	17.6
Total	4.2	3.1	6.0	19.6	32.9	33.0



A breakdown of the M10 YTD Other reactive costs is provided below:

	BG	MC	RT	Other	Total
	M10 YTD	M10 YTD	M10 YTD	M10 YTD	M10 YTD
	£k	£k	£k	£k	£k
Registered nursing	4,257	923	1,145	512	6,837
Add Clinical services	(123)	810	1,251	639	2,577
A&C	211	7	38	407	663
Other pay	431	300	276	692	1,699
Non pay & income	443	807	452	2,884	4,586
Total	5,219	2,846	3,162	5,134	16,362

The Non pay & income expenditure within 'Other' of £2,884k includes:

- Laundry Services - £649k
- M&S Consumables - £879k
- Transport - £312k
- Loss of SLA Income - £170k

Operational expenditure decreases (£13.8m)

	Q1	Q2	Q3	Q4	Total M10	Total M9
Area of cost benefit	£m	£m	£m	£m	£m	£m
Operational expenditure reductions due to reduced elective activity	(4.8)	(2.0)	(4.3)	(2.7)	(13.8)	(15.1)

The M9 forecast underspend of £15.1m has decreased by £1.3m in M10 to £13.8m. The levels of operational expenditure reductions increased in Q3 and this is now expected to reduce again in Q4. A breakdown of the M10 YTD costs is provided below:

	Q1	Q2	Q3	M10	M10 YTD
	£k	£k	£k	£k	£k
Bridgend ILG	(1,142)	(967)	(2,071)	(191)	(4,371)
Merthyr & Cynon ILG	(948)	(574)	(310)	(97)	(1,929)
Rhondda & Taf ILG	(931)	(950)	(1,194)	(577)	(3,652)
Medicines Mgt	(1,531)	412	(329)	237	(1,211)
Contracting & Commissioning	(200)	36	(444)	740	132
Total	(4,752)	(2,043)	(4,348)	112	(11,031)

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

The Contracting & Commissioning reduction in M10 reflects a correction of an error in M9.

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 £16.3m Delegated and £4.3m Non delegated so that the Pre Covid savings gap of £4.3m is now all shown as Non Delegated and is this is being shown as non-Covid variance. The M10 YTD and forecast savings are summarised below.

	Month 10			Month 9		
	YTD	20/21	Recurring	YTD	20/21	Recurring
	£m	£m	£m	£m	£m	£m
Delegated Savings targets	13.6	16.3	19.0	12.2	16.3	19.0
Forecast Savings – excluding Red schemes	-4.4	-6.1	-6.0	-3.9	-6.2	-6.5
Forecast shortfall	9.2	10.2	13.0	8.3	10.1	12.5
Non Delegated Savings target	3.6	4.3	1.6	3.2	4.3	1.6
Total	12.8	14.5	14.6	11.6	14.4	14.1

- Actual savings in M10 was £0.5m (M9: £0.6m) and the M10 YTD savings is now £4.4m (M9: £3.9m)
- Forecast In year savings has decreased by £0.1m in M10 and forecast recurrent savings has reduced by £0.5m.
- The latest risk assessment on the £0.86m Amber schemes within the total forecast in year savings of £6.1m is £nil.
- The forecast recurrent savings gap of £14.6m 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:

	M10	M9
	£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	0.1	0.1
WHSSC Investment Slippage	1.5	1.5
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	3.6	3.6

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 £6.1m and recurring £6.0m) 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	3,319	274	6		280	8.4%
Merthyr & Cynon ILG	3,962	941	31		972	24.5%
Rhondda & Taf ILG	3,604	884	260		1,144	31.7%
Medicines Management	2,903	1,728			1,728	59.5%
Primary Care	306	3			3	1.1%
Contracting & Commissioning	784		653		653	83.3%
Corporate Directorates	1,405	827	445		1,272	90.5%
Sub Total	16,282	4,658	1,394	-	6,052	37.17%
Covid Non Recurrent		7,101			7,101	
Grand Total	16,282	11,759	1,394	-	13,153	80.78%
Area	Recurrent Savings Target £000	Green	Amber	Red	Forecast recurrent savings	% of Forecast recurrent savings to Target
Bridgend ILG	4,529	496	12		508	11.2%
Merthyr & Cynon ILG	4,566	691	137		828	18.1%
Rhondda & Taf ILG	4,154	1,131	387		1,518	36.6%
Medicines Management	2,903	1,629			1,629	56.1%
Primary Care	306				0	0.0%
Contracting & Commissioning	899		653		653	72.7%
Corporate Directorates	1,615	649	185		834	51.6%
Grand Total	18,970	4,596	1,375	-	5,970	31.47%

3.7 Non Delegated budgets

The key reasons for the Month 10 and Month 10 YTD overspends are as follows:

	M10	M10 YTD	M9	M9 YTD
	£k	£k	£k	£k
Shortfall v CRES target of £4.2m	360	3,598	360	3,239
Shortfall v non recurrent slippage/Non pay expenditure reduction targets of £4m	333	3,333	333	3,000
Other variances	(306)	(4,702)	1,740	(4,498)
Total	387	2,229	2,433	1,841

3.8 Key Risks and Opportunities

The key financial risks and opportunities for 20/21 are summarised below (excluding the PYA risk which is covered in Section 3.4 above):

	Month 10		Month 9	
	Opps	Risk	Opps	Risk
	£m	£m	£m	£m
Prior year adjustment – see comment above	0	0	0	0
Slippage in delivery of Q3/Q4 plan (e.g Winter plans, NR spend plans, primary care prescribing)	(1.0)		(1.5)	
Changes to the Balance sheet assumptions in the Q3/Q4 Plan	TBC		TBC	
Potential variation in the estimated 'pass through' costs for TTP, Mass vaccinations, Field hospitals , CHC .	(1.0)		(2.0)	2.0
Matched by corresponding adjustment to assumed WG funding	0	0	2.0	(2.0)
Potential movement in estimated Annual leave provision at 31 March 21	(2.0)	2.0	(2.0)	2.0
Other individual items:				
Securing the full allocation for Prevention funding that was received in 19/20.		0		0.2
Total	(4.0)	2.0	(3.5)	2.2

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

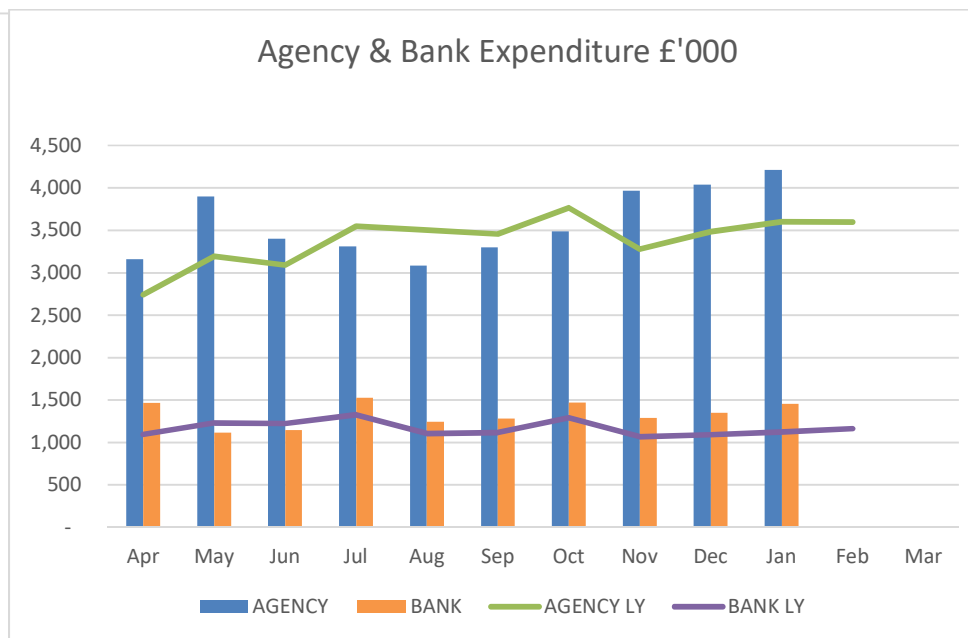
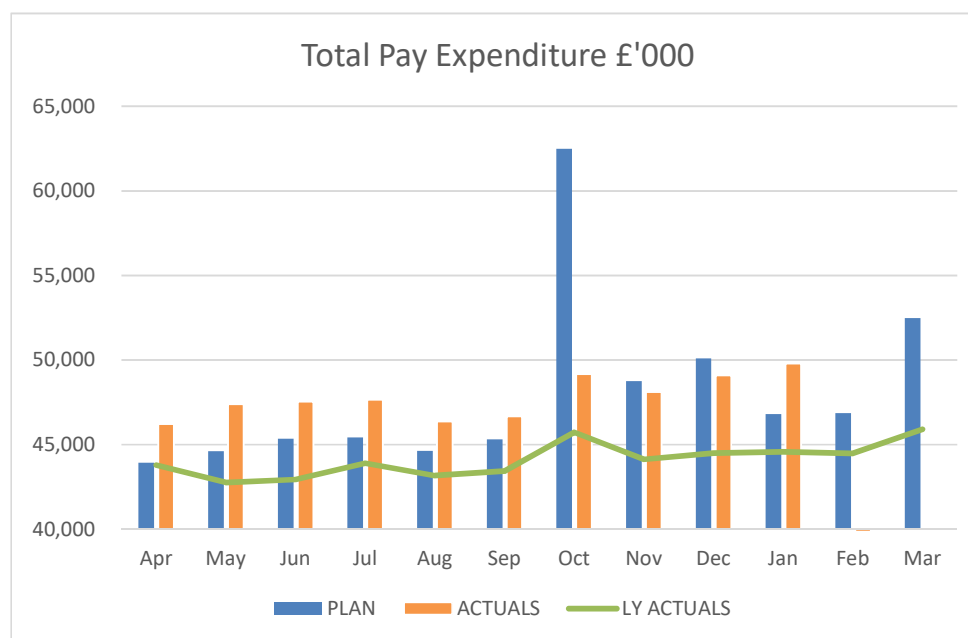
5. RECOMMENDATION

The Planning, Performance & Finance Committee is asked to:

- **DISCUSS** the contents of the Month 10 Finance report for 2020/21.

APPENDIX A

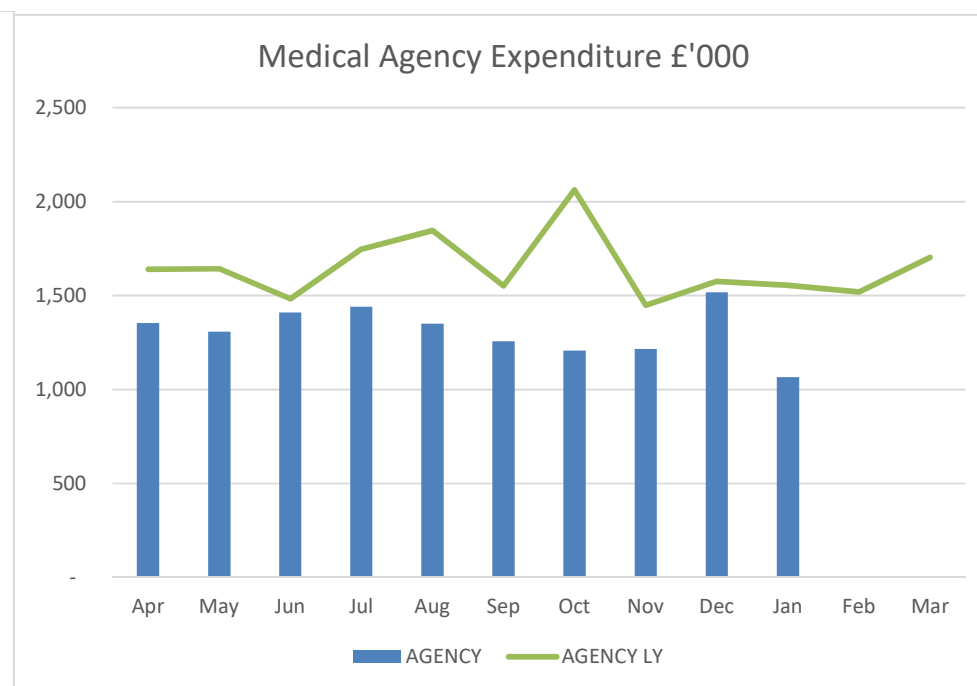
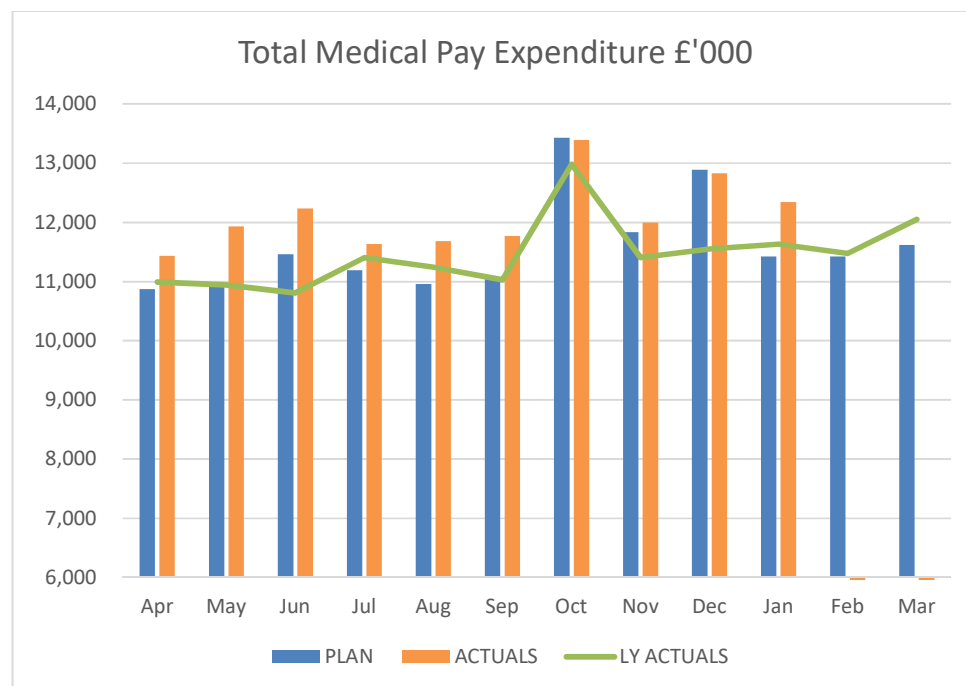
TREND ANALYSIS – TOTAL PAY



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.

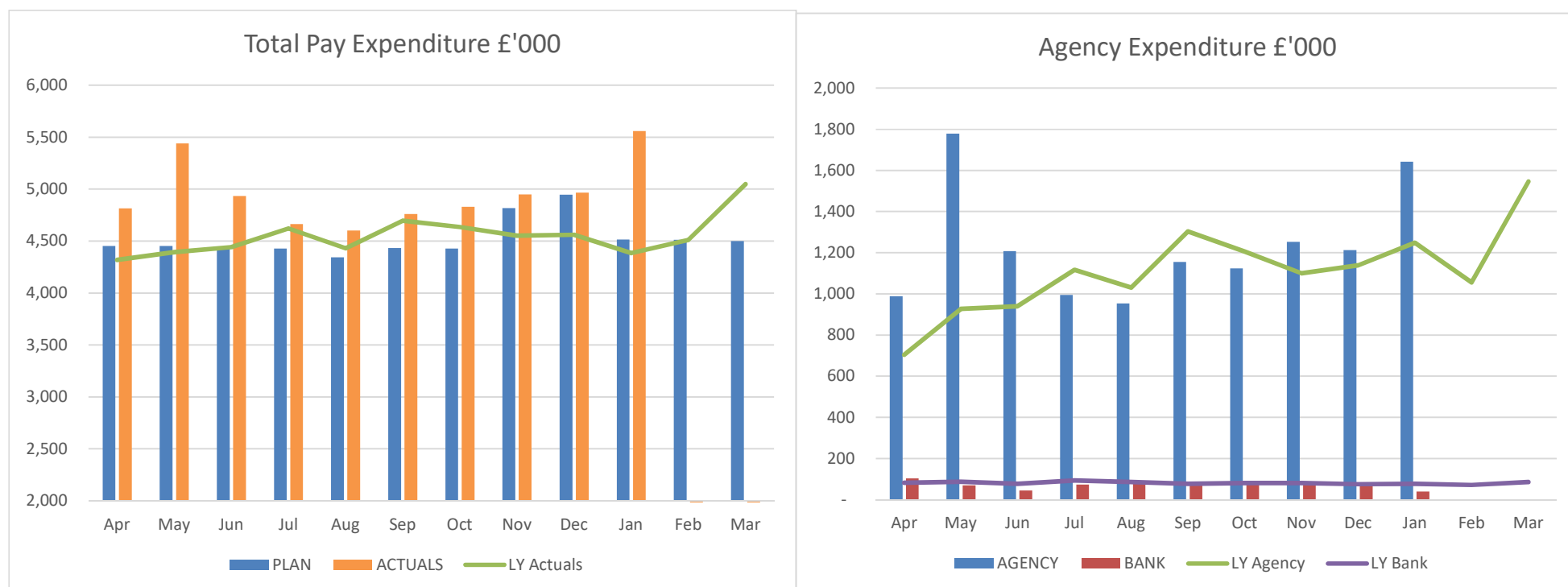
APPENDIX B

TREND ANALYSIS – MEDICAL PAY



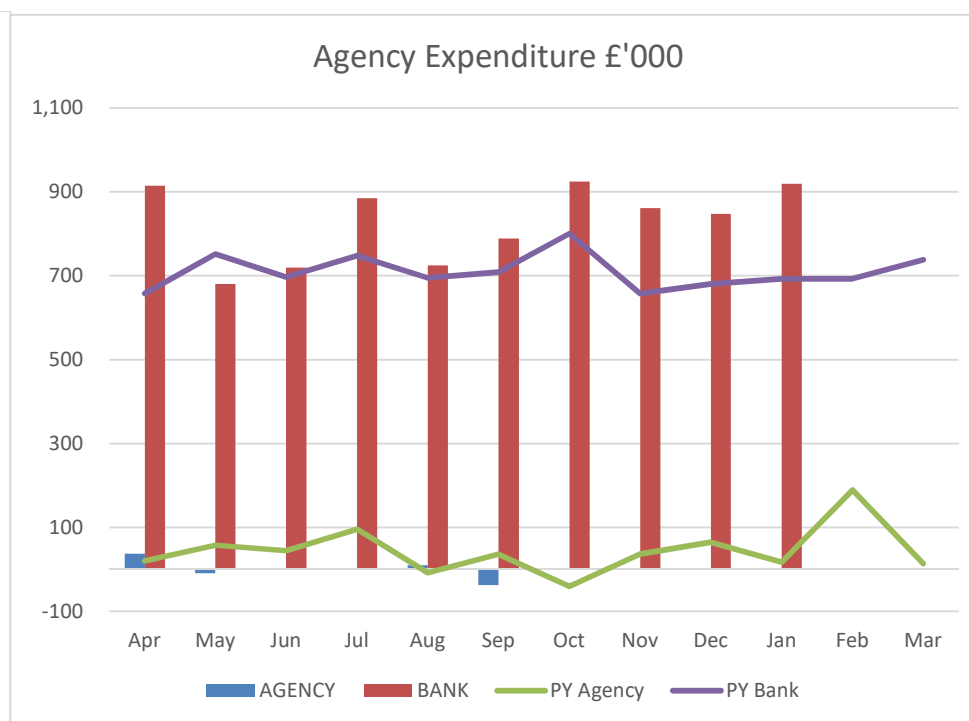
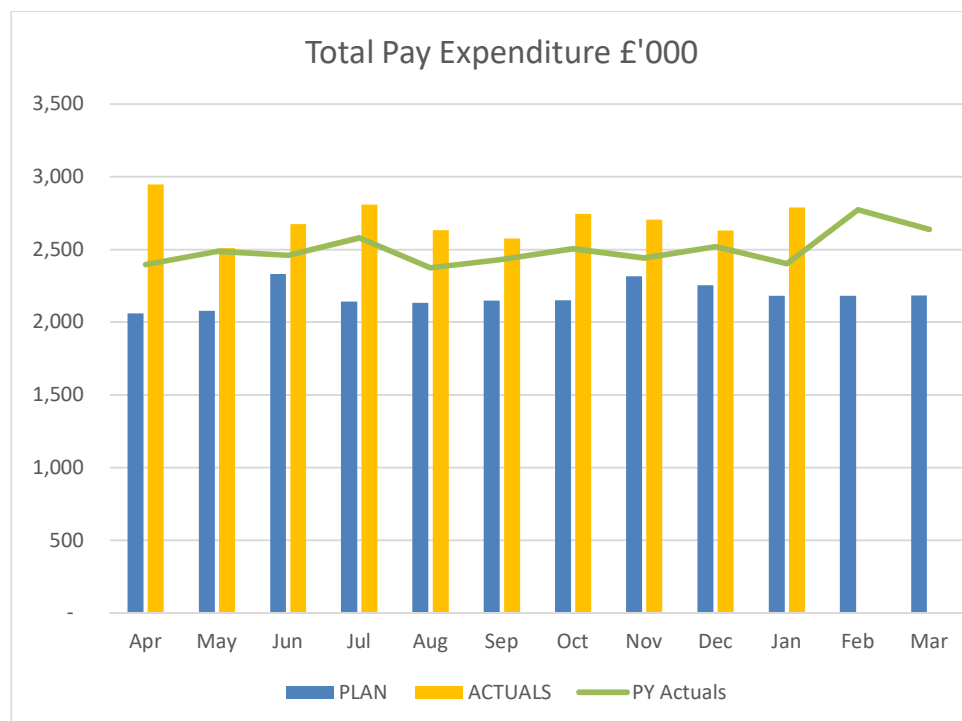
APPENDIX C

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



APPENDIX D

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



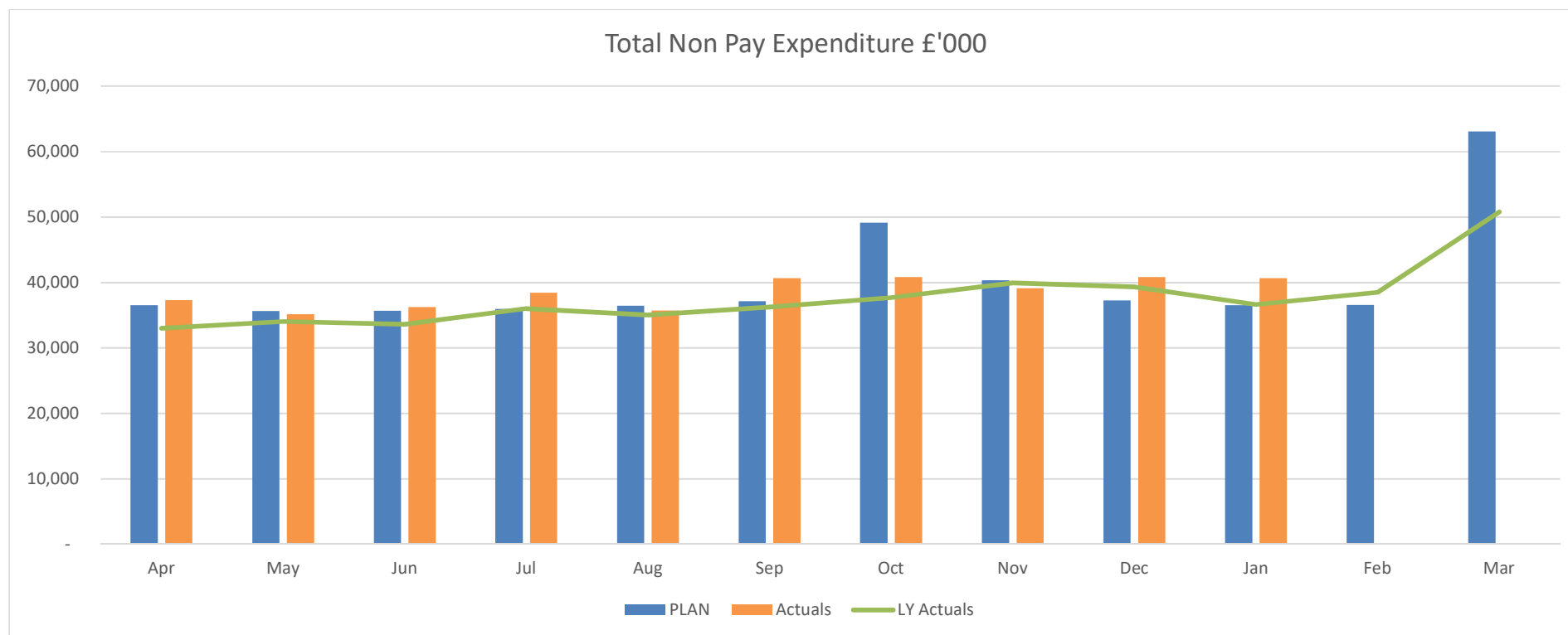


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APPENDIX E

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	1,164,956
Unconfirmed funding	30,012
TOTAL	1,194,968

Key Issues

The most significant anticipated allocations include:

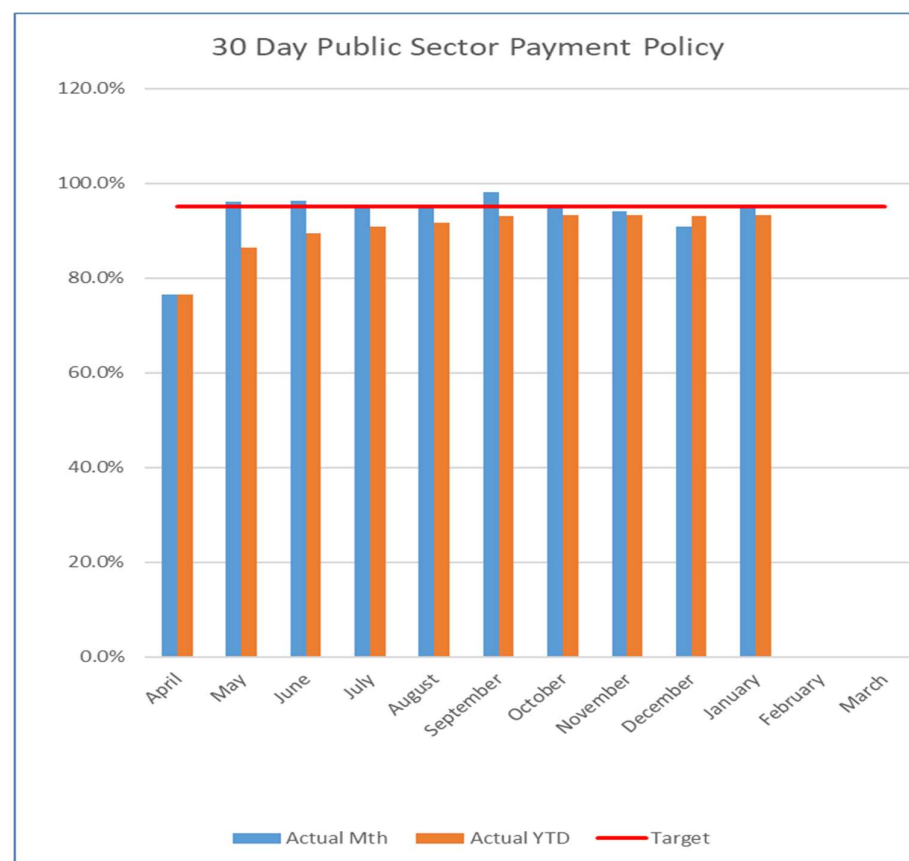
- Depreciation/Impairments £19m
- Transformation Fund - £6.7m
- Substance Misuse - £3.5m
- Ring fenced COVID items- £17m (including Annual Leave carried forward £13.4m)
- Anticipated return of allocation to WG – (£21.0m)
- Urgent Emergency Care - £4.3m



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 January was 95.1%, with a cumulative percentage of 93.2%.
- 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 93.5%.



APPENDIX H

Balance Sheet

Balance Sheet	Opening Balance (01/04/2020) £'000	Closing Balance as at M10 £'000	Forecast Closing Balance M12 £'000
Non Current Assets			
Property, Plant & Equipment	532,624	544,200	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	597,900	586,324
Current Assets			
Inventories	6,071	6,113	6,071
Trade and Other Receivables	101,242	130,729	101,242
Cash and Cash Equivalents	376	64	376
Total Current Assets	107,689	136,906	107,689
Current Liabilities			
Trade and Other Payables	133,114	138,774	133,114
Provisions	38,844	56,426	53,844
Total Current Liabilities	171,958	195,200	186,958
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	482,040	449,489
Financed By:			
General Fund	416,325	433,876	401,325
Revaluation Reserve	48,164	48,164	48,164
TOTAL	464,489	482,040	449,489

Key Issues:

- The closing cash balance for M10 was £64k. Several urgent payments were processed on the last working day for £750k resulting in the low cash balance.
- Receivables have increased by £29m to M10, which relates mainly to the movement in WRP debtors of £25m.
- There was no significant movement in Trade and Other Payables to M10.
- The increase in Provisions to M10 of £18m relate to Clinical Negligence.

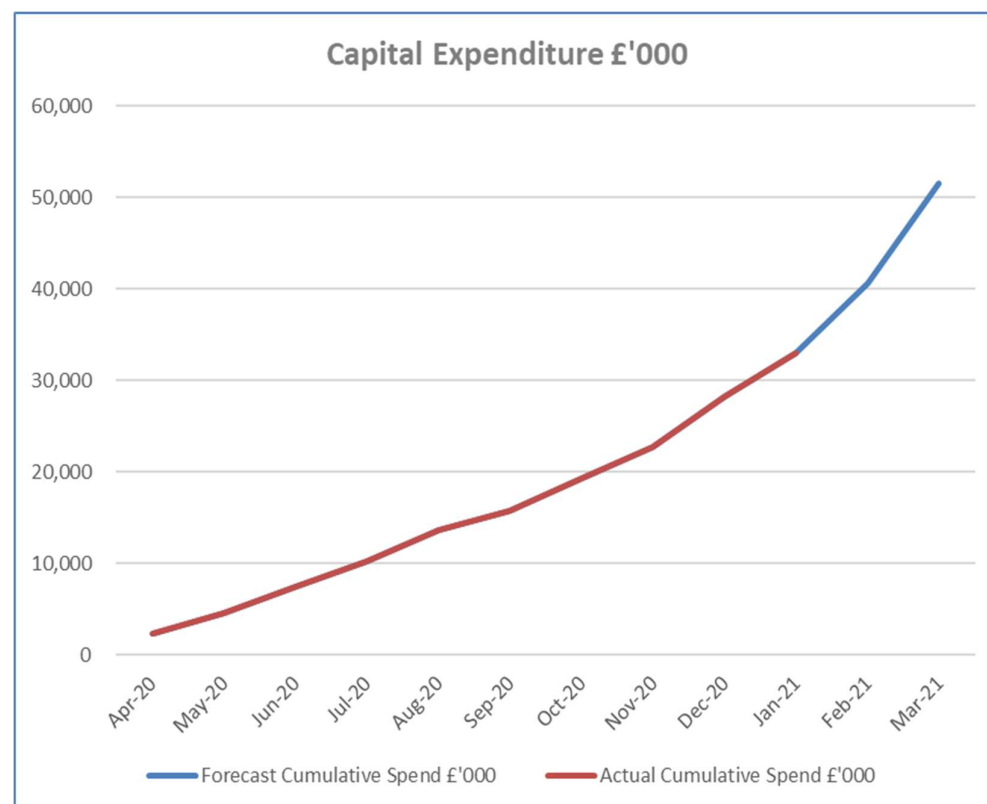


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APPENDIX I

Performance against Capital Resource Limit



Key Issues:

- The current Capital Resource Limit of £46.9m was issued on the 25th January 2021.
- In addition, the Health Board is anticipating a further £4.23m of additional funding relating to the impact of COVID 19.
- This is supplemented by £0.3m of donated funds and £0.07m of asset disposals, giving an overall programme of £51.5m.
- Expenditure to date is £32.9m.
- The current forecast capital position is breakeven assuming all anticipated funding is received.



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APPENDIX J

Cash position

Cashflow	Actual/Forecast					
	Nov £'000	Dec £'000	Jan £'000	Feb £'000	Mar £'000	Total £'000
Receipts						
WG Revenue Funding	82,276	105,543	99,027	92,700	111,657	1,149,853
WG Capital Funding	4,500	4,400	4,700	5,200	11,503	52,153
Sale of Assets	0	17	11	0	0	60
Welsh NHS Org's	9,170	9,160	8,080	20,200	13,600	127,325
Other	1,827	3,175	1,433	1,500	2,300	32,851
Total Receipts	97,773	122,295	113,251	119,600	139,060	1,362,242
Payments						
Primary Care Services	6,714	27,912	8,700	17,295	18,280	202,874
Salaries and Wages	46,458	45,976	46,422	47,380	63,083	552,382
Non Pay Expenditure	40,621	42,579	58,060	44,700	50,198	554,773
Capital Payments	3,815	5,413	2,900	5,200	12,212	52,213
Other (Donated asset funding)	0	0	0	0	0	0
Total Payments	97,608	121,880	116,082	114,575	143,773	1,362,242
Net Cash In/Out	165	415	(2,831)	5,025	(4,713)	
Balance B/F	2,315	2,480	2,895	64	5,089	
Balance C/F	2,480	2,895	64	5,089	376	

Key Issues

- The M10 cash flow forecast is currently showing a forecast surplus of £0.376m in Month 12.
- This includes an anticipated reimbursement of WRP debtors of £10.5m in February and assumes that the cash for the remaining outstanding WRP debtors of approximately £22m will be received in 2020-21. The profile of these receipts are under regular review.
- The forecast includes a planned return of £21m cash to WG. Discussions are ongoing as to the value of any resource allocation that will also need to be returned.