



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd
Cwm Taf
Health Board

Your ref/eich cyf:

Our ref/ein cyf:

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25 June 2012

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Finance & Procurement

Mr M Drakeford AC AM
Chair
Health and Social Care Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Dear Mr Drakeford

NATIONAL ASSEMBLY FOR WALES HEALTH AND SOCIAL CARE COMMITTEE: FINANCIAL SCRUTINY

Thank you for your letter dated 9 June 2012 requesting information on the financial position of Cwm Taf Health Board. This information is reported through our monthly Monitoring Return submissions to Welsh Government.

Our response to your information request are as follows:

1. Original Revenue and Capital Allocations for 2011/12 & 2012/13

	2011/12 £M	2012/13 £M
Revenue	509.8	523.6
Capital	46.9	35.0

Details of any additional Revenue and Capital funding received in 2011/12 is provided in Section 5 below.

2. Financial Plans (Revenue and Capital) including details of savings to be achieved and from which service areas for 2011/12 and 2012/13

Return Address:

Ynysmeurig House, Navigation Park, Abercynon, CF45 4SN

Chair/Cadeirydd: Dr C D V Jones, CBE

Chief Executive/Prif Weithredydd: Mrs Allison Williams

2.1 Revenue Financial Plan for 2011/12

The Health Board's overall financial challenge for 2011/12 was assessed and independently validated as being £48.3m. The savings target net of the additional allocation of £17m (received in October 2011) was therefore identified as £31.3m. This equates to a 5.2% target against our final allocation of £597m (6% excluding ring-fenced allocations).

A summary of the Financial Plan for 2011/12 is provided below.

	2011/12
	£m
Initial Financial challenge	48.3
Less: Additional WG Funding Allocation	(17.0)
Revised Financial Challenge	31.3
Target solutions:	
Cost containment	(8.3)
Cost reductions	(23.0)
Total	31.3

It should be noted that the **Cost Containment** schemes required specific plans to be developed and delivered that manage down demand and therefore limit predicted growth. In some areas these required significant change in clinical practice.

The **Cost Reduction** schemes were applied across all Directorates and Departments and were generated through a combination of:

- Reduction of harm, waste and variation
- Procurement savings
- Service redesign and capacity remodelling
- Reductions in variable pay costs (Overtime/Bank/Agency etc.)
- Reduced headcount (including use of the VER scheme)

Further details of the Financial Plan and savings areas is provided at Annex A.

2.2 Revenue Financial Plan for 2012/13

The financial challenge identified for 2012/13 has been scrutinised in detail by the Board to test the robust nature of the underlying assumptions. The estimated financial challenge for 2012/13 is £28.4m. This is comprised as follows:

Underlying Deficit	£ 8.5m
New National Cost-pressures	£13.3m
Local Cost-pressures	£ 2.6m
Repayment of early draw-down from 2012/13 *	£ 4.0m
Total	£28.4m

It should be noted that technically £4m of this quantum is non-recurrent as it relates to the requirement to "repay" the £4m early draw-down in-year.

A summary of the Financial Plan for 2012/13 is provided below.

	Full Year Plan	Part Year 12/13
	June 2012	June 2012
	£m	£m
Estimated Financial challenge	28.4	28.4
Planned solutions:		
Cost Containment	3.1	2.1
Operational cost reduction	13.5	4.0
Strategic projects	11.8	4.0
Total planned solutions	28.4	18.4
In year non-recurrent actions		10.0
Net position for 2012/13	28.4	28.4

The Full Year plan delivers £28.4m savings recurrently. However, the scale of service change associated with the capacity remodelling can only be achieved through sequential service remodelling resulting in some of the schemes only delivering their full quota of savings towards the end of the financial year. The full programme of change, with all savings recurrently realised, is planned for completion by summer 2013.

The current financial regime runs on a fixed financial-year basis and therefore the break-even target must be achieved by 31 March even though some of the savings plans will not be fully delivered by that date. This means that there is a requirement to deliver non-recurrent savings in-year to bridge the gap. The 2012/13 plan identifies a number of opportunities that will need to be pursued in this respect including further measures to reduce the pay-bill.

The 2012/13 plan is constructed around 5 key component areas:

- Operational Efficiency
- Targeted waste and efficiency measures
- Quality and Patient experience (linked to service redesign)
- Site rationalisation
- Managing demand and patient flow (commissioning)

Further details of the Financial Plan and savings areas is provided at Annex B.

2.3 Copy of Capital Financial Plan for 2011/12 and 2012/13

Details of the Capital Financial Plans for 2011/12 and 2012/13 are provided at Annex C and D respectively.

3. Additional Funding provided by the Welsh Government during 2011/12

A reconciliation between our original and final Revenue Allocation for 2011/12 is provided at Annex E. The main items are summarised below:

(i) Additional Allocation Support £17m

In October 2011, the Minister for Health, Social Services & Children announced additional resource funding of £133m for NHS Wales. Of this amount £17m was provided to Cwm Taf Health Board.

(ii) **Early Drawdown of 2012/13 Allocation £4m**

On 6 March 2012, the Minister for Health, Social Services & Children, wrote to the Chair of the Health Board offering further financial support for 2011/12. The Health Board received an additional £4m additional funding which was provided as an 'advance' or 'draw forward' against the Health Board's 2012/13 Revenue Allocation.

(iii) **AME Impairments £54.0m**

The vast majority of the impairment funding relates to the write down of assets (from cost to Depreciated Replacement Cost) following the first valuation by the District Valuer after the completion of a major scheme. This is an accounting requirement for all major capital schemes.

The remainder of the funding, approximately £1.8m, relates an accounting requirement to obtain an Open Market Valuation for properties that have been declared as surplus and available to sale.

During 2011/12 our Original Capital Allocation was increased from £46.9m to £60.8m. The Health Board has a significant Capital programme and additional funding was agreed with Welsh Government for a number of schemes during the year. Further details are provided at Annex B.

4. Year end financial position for 2011/12 and details of progress against the financial plan and savings targets in each service area.

The year end financial position for 2011/12 is summarised below:

	£000
Net operating costs	600,704
Less: non discretionary expenditure	3,343
Less: revenue consequences of PFI schemes	163
	597,198
Revenue Resource Limit	597,264
Under/(over) spend against Revenue Resource Limit	6

Cwm Taf Health Board remained within its Revenue Resource Limit for 2011/12, achieving an under spend of £6k. The £4m early drawdown of the 2012/13 Resource allocation from the Welsh Government is included in this position.

Details of progress against the financial plan and savings targets in each service area are provided at Annex A.

This demonstrates that against the planned savings there was an in-year shortfall of £4m (0.6%) which was covered by the early draw down from 2012/13. The requirement for recurrent cover of this shortfall is included in the 2012/13 plan.

5. Information and examples on how financial planning and the requirements for savings has impacted on your ability to delivery against the Welsh Government's stated policy priorities.

LHBs in Wales have worked together to provide the Committee with a collective response to this question with the aim of being helpful in achieving a shared understanding of the position as follows:

- LHBs in Wales have rigorous and robust plans in place to ensure delivery against the Government's key priorities.
- The NHS in Wales has delivered an unprecedented level of financial savings, whilst at the same time making progress on a range of performance areas, targets and quality outcomes.
- The NHS in Wales exceeded £313million in savings last financial year by reducing costs, containing costs, reducing capacity and redesigning services.
- However, the NHS in Wales is operating in a challenging financial environment and there are difficult choices ahead. The current model of NHS services in Wales is not sustainable and the way health services are delivered to patients needs to change radically. Service change is needed to ensure LHBs continue to deliver and meet the Government's key priorities and targets.
- As well as reducing costs, this is about improving NHS services to ensure patients benefit from a modern health services.

- We are working in a tough financial climate, but many of these changes have to be made to improve the quality, safety and sustainability of services. This is the case for any public service.

Please let me know if you need any further information.

Yours sincerely

Mr Mark A Thomas
Interim Director of Finance

Cc Allison Williams, Chief Executive, Cwm Taf Health Board

CWM TAF LHB

Annex A

FINANCIAL PLAN 2011-12	YEAR TO DATE		
	Plan YTD	Actual YTD	Variance YTD
Miscellaneous Income sub total	(81,931)	(85,004)	(3,073)
Primary Care Services sub total	135,809	135,782	(27)
LHB Provided Services- Pay sub total	274,036	283,608	9,572
LHB Provided Services- Non Pay sub total	139,308	141,132	1,824
Healthcare Services Provided By Other NHS Bodies sub total	81,117	84,919	3,802
Non Healthcare Services Provided By Other NHS Bodies sub total	4,749	4,833	84
Private & Voluntary Sector sub total	42,063	35,220	(6,843)
Other sub total	5,396	51	(5,345)
NET OPERATING COST	600,547	600,541	(6)
Less non resource limited expenditure	3,343	3,343	0
Revenue resource limit	597,204	597,204	0
UNDER / (OVER) SPEND AGAINST REVENUE RESOURCE LIMIT	0	6	6

SAVINGS PLAN 2011-12

Scheme Area	Plan	Actual	Variance
CHC (excl. DTOC)	3,000	6,817	3,817
Estates/Energy	518	424	(94)
Externally Commissioned Services	2,902	71	(2,831)
Medicines Management (Primary & Secondary Care)	4,860	3,008	(1,852)
Procurement & Other Non Pay (excl. energy)	4,968	4,063	(905)
Shared Services	106	114	8
Management Costs Reductions	996	607	(389)
Specialist Services	804	103	(701)
Workforce Modernisation	13,168	3,469	(9,699)
Non Delegated Savings	0	8,646	8,646
Total	31,322	27,322	(4,000)

FINANCIAL PLAN 2012-13

	Annual Plan £'000
Miscellaneous Income	
Miscellaneous Income sub total	(71,745)
Primary Care Services sub total	132,923
LHB Provided Services- Pay sub total	272,649
LHB Provided Services- Non Pay sub total	75,619
Healthcare Services Provided By Other NHS Bodies sub total	84,250
Non Healthcare Services Provided By Other NHS Bodies sub total	4,047
Private & Voluntary Sector sub total	34,207
Other sub total	3,265
NET OPERATING COST	535,215
Less non resource limited expenditure	3,343
Revenue resource limit	531,872
UNDER / (OVER) SPEND AGAINST REVENUE RESOURCE LIMIT	0

SAVINGS PLAN 2012-13

Scheme Area	Plan
CHC (excl. DTOC)	1,000
Estates/Energy	300
Externally Commissioned Services	2,500
Medicines Management (Primary & Secondary Care)	1,000
Procurement & Other Non Pay (excl. energy)	4,000
Shared Services	
Management Costs Reductions	400
Specialist Services	600
Workforce Modernisation	8,600
In Year Non Recurring Actions	10,000
Total	28,400

SOURCES AND APPLICATION OF FUNDS

SOURCES

	Original Capital Resource Limit £'000	Final Capital Resource Limit £'000
Discretionary allocation 2011/2012	4,365	4709
PCH Wards Refurbishment	9,647	10917
Cynon Valley Hospital	8,028	16680
PCH A&E/ Day Surgery Unit	5,051	7020
Merthyr Health Park	18,215	19100
MHP Medical Education		34
Spend to Save - Acute MH at STH	700	700
Spend to Save - YGT - Maerdy Ward	700	700
Spend to Save - Obs and Gynae rationalisation	250	0
Pharmacy Robotic upgrade		151
Myrdynn host		248
Telestroke/Telemedicine		43
Welsh Clinical Portal & LIMS		50
Fundus Cameras		85
End of Year funding - various		399
TOTAL SOURCES	46,956	60,835

PLANNED APPLICATIONS

	Original Plan £'000	Final Plan £'000	Outturn £'000
<u>All Wales Capital Programme</u>			
PCH Wards Refurbishment	9,647	10,917	11,964
Cynon Valley Hospital	8,028	16,680	16,557
PCH A&E/ Day Surgery Unit	5,051	7,020	5,803
Merthyr Health Park	18,215	19,100	19,237
MHP Medical Education	0	34	70
Total	40,941	53,751	53,631

Other WAG funded schemes

Spend to Save - Acute MH at STH	700	700	700
Spend to Save - YGT - Maerdy Ward	700	627	627
Spend to Save - Obs and Gynae rationalisation	250	0	0
Myrdynn hoist hardware		240	238
Pharmacy Robotic upgrade		151	134
Telestroke/Telemedicine		43	43
Welsh Clinical Portal & LIMS		50	48
Fundus Cameras		85	85
End of Year funding - various		359	349
Total	1,650	2,254	2,224

Discretionary Schemes

IM & T	129	136	138
Equipment Replacement Programme	33	293	499
Statutory Requirements	238	700	700
Estates	3,958	3,569	3,628
Other	8	8	12
Miscellaneous		124	0
Total Discretionary	4,365	4,830	4,977

TOTAL PLANNED APPLICATIONS	46,956	60,835	60,832
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**CWM TAF LHB
2012/13 CAPITAL PROGRAMME**

Annex D

SOURCES AND APPLICATION OF FUNDS

SOURCES

	Original Capital Resource Limit £'000
Discretionary allocation 2012/2013	3,514
PCH Wards Refurbishment	15,225
Cynon Valley Hospital	3,780
PCH A&E/ Day Surgery Unit	872
Merthyr Health Park	3,218
Spend to Save - Rationalisation of Obs & Paeds	500
PCH Refurbishment Phase III	2,600
PCH Renal Unit - unconfirmed	3,116
MHP Medical Education - unconfirmed	2,600
TOTAL SOURCES	35,425

PLANNED APPLICATIONS

	Original Plan £000
<u>All Wales Capital Programme</u>	
PCH Wards Refurbishment	15,225
Cynon Valley Hospital	3,780
PCH A&E/ Day Surgery Unit	872
Merthyr Health Park	3,218
PCH Renal Unit	3,116
PCH Refurbishment - Phase III	2,600
MHP Undergrad Medical Education	2,600
Total	31,411

Other WAG funded schemes

Spend to Save various schemes	500
Total	500

Discretionary Schemes

IM & T	300
Equipment Replacement Programme	1,900
Statutory Requirements	500
Estates	1,224
Other	0
Planned Disposals	-410
Total Discretionary	3,514

TOTAL PLANNED APPLICATIONS	35,425
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Revenue Financial Plan 2011/12

Revenue Allocation Letters:

	£'000
Initial Allocation Letter	509,806
In Year Adjustments to Initial Allocation Letter:	
WG Allocation Adjustments	(4,185)
AME Capital Charge Adjustments	54,006
Depreciation & Donation Reserve Adjustments	2,257
Dental Allocations	1,524
Electronic Staff Record Contribution	(340)
Clinical Excellence Awards	520
General Medical Services	1,049
Hepatitis Plan	153
Invest to Save Schemes	2,512
Lymphoedema Plan	83
Mental Health Funding	889
NHS Redress	212
Palliative Care Funding	448
Pre Reg Trainees - Community Pharmacies	117
Primary Care Estates	61
Referral to Treatment Funding	3,304
One Wales School Nurse	76
Training Funding - Specialist Registrars	134
Substance Misuse Funding	2,523
Vaccines Funding	398
WHSSC Funding	656
WG Additional Allocation	17,000
Financial Support	4,000
Final Total Allocation	<u><u>597,204</u></u>