



Western Health
and Social Care Trust

Financial Performance Report

for the five months ended 31 August 2020

Public Trust Board Report

Western Health and Social Care Trust

Financial Performance Report for the five months ended 31 August 2020

<u>Contents</u>		<u>Page No.</u>
1	Background to Western Trust Deficit	3
2	Financial Plan	4
3	Financial Position – Current Period	5
4	Savings Plans	6
5	Transformation	7
6	Capital Resource Limit	7
7	Prompt Payment Target	7
8	Key Messages	7

1. Background to Western Trust Deficit

The Trust has submitted its financial plan for 2020/21 to the HSCB on 3 July 2020, which projected a deficit of £34.5m. Following confirmation of further funding in September, the Trust has revised its projected deficit to £33.3m, as outlined in table 2 below. This does not include any impact of Covid19 as the Trust is assuming that it will be fully funded for this pressure.

In February 2019, we identified a deficit of £39m. In April 2019, we received an income reduction of £11.3m creating a deficit of £50.3m at 1 April 2019.

During 2019/20, we managed to reduce our deficit by £21m, by a combination of income and savings. Thus, our opening position at 1 April 2020 was a deficit of £29.3m.

Again in 2020/21 we have a further savings requirement/Income reduction of £10.7m, giving a deficit of £40m at 1 April 2020. This is all shown in Table 1 below:

Table 1

	£'m
Recovery Plan deficit – February 2019	39.0
Add 2019/20 Income reduction	11.3
Opening Deficit 2019/20	50.3
Less savings / Income Achievement 2019/20	(21.0)
Opening Deficit 2020/21	29.3
Add income reduction 2020/21	10.7
Opening Deficit 2020/21	40.0

It should be noted, that over the last four years our savings requirements/Income Reductions have been £12.2m higher than other comparable Trusts. This is to address a perceived over funding (by capitation).

If the above had not occurred, our opening deficit would have been £17m, which is much more comparable to other Trusts.

Over the last four years we have lost £50m in Income through savings requirements – this is a key element of our deficit now.

In addition to the increased savings, the population growth in Western Trust is less than other areas, particularly in the older population and this reduces our demographic allocations compared to other Trusts.

2. Financial Plan 2020/21

Table 2 – Projected Deficit 2020/21

	2020/21 Plan £'m	Position At Aug 2020 £'m
Opening Deficit 1 April 2020	29.3	10.8
Savings Target 2020/21	10.7	4.5
Opening Position	40.0	15.3
COVID Downturn Savings	(5.0)	(5.4)
Other Savings	(2.0)	(0.5)
Net Deficit	33.0	9.4
New Pressures 2020/21 (revised following confirmation of funding from HSCB Sept)	0.3	0.3
Projected Deficit (non Covid)	33.3	9.7

After 5 months, we would expect our deficit to be approximately 5/12 of the annual position i.e. £13.9m. At month 5, our non Covid deficit is £9.7m

Whilst this looks much improved on our expected position, the covid/downturn savings will not be maintained for the full year, therefore our year-end position remains as predicted i.e. £33.3m. It is difficult to predict/project this year due to uncertainty around reset/surge but we are on track for our expected results.

The first difficulty in projections is identifying how long will the Covid/Downturn savings occur for, and at what level. Our original estimate of £5m will be revisited next month. There remains a question on whether these savings are applied to Covid costs or our opening position. We have applied towards our 2020/21 savings requirement, on the assumption the full costs of Covid are covered.

New Pressures

The Trust has a new pressure in the Rates costs, linked to a Revaluation of Properties. This is estimated at £800k for the year and in September, the Trust has been advised by HSCB that it will receive funding for this pressure.

The second pressure relates to Transformation Projects. The decision on what projects will be funded was made in June, thus we have 3 months of costs of those projects which are not funded. We will lobby to have these costs funded non-recurrently.

Covid Costs

Our Covid costs after 5 months are significant. We have presented a full account of our costs in detail on a monthly basis. The main elements of the costs are additional staffing/pay costs, PPE, support for the Independent Sector, Loss of Income and a range of other costs.

All Trusts are actively working with DoH and HSCB to achieve greater clarity on funding approaches. The main approach to date is that PPE is separately funded from a specific

allocation, with all other costs to be covered by a generic allocation from Dept of Finance. DoH continue to bid for resources in this area.

Key actions that need to be taken are as follows:

- Continue to lobby for allocations for Covid.
- Get formal notification of Control Total for 2020/21.
- Lobby for continuation of regional funding received in 2019/20 towards deficits - £7m - £10m.
- Restart our Recovery Plan Actions to ensure recurrent savings prior to year-end.

The implementation of savings plans for the second year of the Trust's recovery plan has been delayed in 2020/21 due to COVID19. The Trust has identified other opportunities associated with the COVID downturn in activity to address the gap.

The Trust is also awaiting final confirmation of funding for Transformation projects and this will be advised over the next few weeks.

3. Financial Position as at 31 August 2020

Table 3 - Summary Financial Performance by Directorate

Directorate	Budget	Expenditure	Variance		July Variance	
	£'000	£'000	£'000	%	£'000	%
Acute Services	83,340	90,971	7,631	9.2%	5,929	8.9%
Adult Mental Health & Disability	43,996	44,127	131	0.3%	(126)	(0.4%)
Primary Care & Older People	76,716	78,901	2,185	2.8%	1,711	2.8%
Women & Childrens	41,563	43,705	2,142	5.2%	1,748	5.3%
Medical	1,905	1,684	(221)	(11.6%)	(198)	(13.0%)
Performance & Service Improvement	18,806	18,224	(582)	(3.1%)	(548)	(3.6%)
Finance & Contracting	3,838	3,659	(179)	(4.7%)	(157)	(5.1%)
Human Resources	1,865	1,742	(123)	(6.6%)	(113)	(7.6%)
Corporate	1,050	1,072	22	2.1%	24	2.9%
Trust Wide Corporate Services	287	279	(8)	(2.8%)	(12)	(5.3%)
Corporate Pay & Non-Pay	27,735	27,839	104	0.4%	299	1.4%
Corporate Solutions	5,367	0	(5,367)	(100.0%)	(4,849)	(100.0%)
Savings Target 2020/21	(3,956)	0	3,956	100.0%	3,210	100.0%
Reported Deficit	302,512	312,203	9,691	3.2%	6,918	2.9%

The Acute Directorate is reporting in this period a deficit of £7.6m (9.2%). This is due to prior year undelivered savings of £2.7m and pressures of £4.9m within medical and nursing pay budgets, and labs non-pay. Usage of expensive flexible staffing to support service delivery is a consistent solution in the delivery of hospital services.

Other Pay Costs

Table 4 – Agency/Bank/Overtime Costs by Directorate

Directorate	Cum August 2020				Increase / (Decrease) over July 2020 %	Increase / (Decrease) over avg 2019/20 %
	Agency	Bank	Overtime	Total		
	£'000	£'000	£'000	£'000		
Acute Services	9,135	692	583	10,409	10%	(14%)
Adult Mental Health & Disability	1,087	1,132	231	2,450	11%	(11%)
Primary Care & Older People	2,337	1,121	227	3,685	7%	(12%)
Women & Childrens	1,396	655	173	2,224	10%	(23%)
Performance & Service Improvement	327	531	226	1,083	6%	(11%)
Other Directorates	70	21	85	175	(29%)	(57%)
Covid19	3,632	199	96	3,927	(60%)	100%
Total	17,984	4,350	1,620	23,954	(4%)	2%

Other Pay Cost Key Highlights:

- Agency expenditure of £18.0m, which includes £10.5m (58%) on medical agency staff and £4.4m (24%) on nursing agency staffing.
- The average expenditure for 2020/21 has increased by 2% on the average spend last year and this is primarily due to Covid19.

Run-Rates

We have developed run-rates for each Directorate in 2020/21. These are based on the expected financial position of each Directorate, within the Financial Plan, submitted in July.

The run-rates represent average spend, adjusted for pay-awards, service developments and Covid costs.

The Trust is currently operating within the run-rates assigned for the first five months, and this will continue to be monitored each month.

4. Savings Plan 2020/21

The Trust has been issued with a general savings target of £9.7m and a Pharmacy Prescribing savings target of £1m. This is in addition to the savings proposals included in the Trust's recovery plan for 2020/21.

The implementation of savings plans for the second year of the Trust's recovery plan has been delayed in 2020/21 due to COVID19 and the Trust has identified other opportunities associated with the COVID downturn in activity to address the gap.

5. Transformation (C&S) Funding

The Trust has received confirmation of funding from the HSCB for a number of transformation projects and is awaiting further clarification on a number of other projects. The Trust is reporting expenditure of £3.4m as at 31 August and based on the funding information received to date is reporting an overspend of £277k. Work is ongoing with the HSCB in relation to this.

6. Capital Resource Limit

The Trust has received a capital allocation of **£21.64m** from the DOH for 2020/21 and the planned expenditure is as follows:-

Table 5 – Capital Plan

Capital Projects	£'m
Altnagelvin 5.1 – Tower Block Development	6.45
Task & Finish	0.33
Covid19 – Altnagelvin ED	1.50
Covid19 – Altnagelvin 5.1	1.20
Covid19 – PPE Storage & Distribution	0.14
ICT	0.52
ICT Covid19	0.47
General Capital	7.78
Backlog Maintenance	3.06
Invest to Save	0.19
Total	21.64

7. Prompt Payment Target

94.1% of undisputed invoices were paid within 30 working days of receipt against a target of **95%**.

8. Key Messages

- The Trust is projecting a year-end deficit of £33.3m. This does not include any impact of Covid19 as the Trust is assuming that it will be fully funded for this pressure.
- The implementation of savings plans for the second year of the Trust's recovery plan has been delayed in 2020/21 due to COVID19 and the Trust has identified other opportunities associated with the COVID downturn in activity to address the gap.
- Directorates should continue to focus on grip & control in the run rates of expenditure in 2020/21.

- The risks for the Trust are Covid19 and Transformation projects for which we await confirmation of the funding.
- We await confirmation of Control Total for 2020/21.

Neil Guckian
Director of Finance, ICT & Contracting