Western Health
and Social Care Trust

Financial Performance Report

for the 2 months ended

31 May 2022

Opening Financial Position 2022/23

The Trust together with all other Trusts, SPPG and DoH in HSC continues to face into a period of great financial uncertainty. A consequence of the N.I. Assembly having not having established an Executive for HSC is that a budget has not been able to be approved yet for the current 2022/23 financial year. Formal communications from SPPG / DoH to the Trust in this regard to date is summarised as follows:

1. <u>10 March 2022 - Letter from Director of Finance, DoH outlining the implications of a budget not being agreed including:</u>

    a) In the absence of an approved budget it is not possible for DoH to plan on the basis of the draft budget 2022-2025 (Draft budget which was consulted on during Q4 2021/22);
    b) Departments would need to plan for 2022/23 on the basis of resource budget baselines, which for Health is a reduction of £0.7 bn on the draft budget and £1bn less than the 2021/22 allocation;
    c) An expectation that increases to spending over and above existing commitments should not take place unless a source of funding has been clearly identified;
    d) Ultimately Trusts will need to put forward proposals to balance deficits over the 3 year budget period.
    e) Funding is only confirmed for COVID costs in Q1 2022/23.

    Actions agreed by CMT 15/3/22:

    i. Directorates would take action to curb further expenditure growth;
    ii. The Trust will not enter into new financial commitments which do not have a funding source;
    iii. The Trust will take a risk-based approach to ongoing COVID expenditure with a view to reductions where possible.

2. <u>13 May 2022 – Letter from Director of Finance, SPPG outlining Planning working principles for Trust's opening position:</u>
    Clarification was provided of Ministerial approval for funding to the Trust to support financial planning assumptions, key highlights of which include:

    - Rebuild Strategies - Elective Care Q1 (subsequently also confirmed for Q2);
    - £49m 2021/22 non-recurrent commitments (including "assumed recurrent" transformation and other);
    - Legal & written commitments – largely tariff increases for IS committed during 2021/22;
    - Inflation – none confirmed with the exception of IS tariffs noted above;
    - Drugs – funding for 2021/22 growth and cost of new drug therapies;

- Growth in demand – relates to demographic pressures included in Trust deficits – SPPG reviewing Trust domiciliary care baseline activity and costs;
- Deficit funding – confirmation of £7.4m for the Trust against it's 2022/23 financial pressures;
- The expectation that the Trust can deliver at a minimum the level of opportunities for savings from 2021/22 of £7.1m;
- The requirement for Trusts to contain discretionary spend;
- MORE savings target to be in line with the 2021/22 level of £1m;
- Energy pressures of £10m to be assumed fully funded;
- Other in-year specific allocations amounting to £3m;

<u>Approach for Month 2 2022/23 report</u>

I am presenting a financial performance report for the period to 31st May 2022 which will confirm financial performance for the period to date against the context of limited financial planning assumptions, income and constraints which have been outlined above in the absence of a budget.

I have not included Trust performance against KPIs in this report, these will be reported in future months as more information materialises to support the development of appropriate indicators. Whilst Directorates have committed to containment of expenditure to 2021/22 levels, the Trust will remain challenged with increasing pressures associated with issues including COVID for Q2 – Q4 for which a funding source is not yet confirmed, cost of living price increases across non-pay budgets and changing profiles of flexible staffing to address workforce challenges. In addition, the Trust is challenged to rebuild services back to pre-pandemic levels whilst COVID pathways remain and COVID down-turn savings targets are required to support financial control. The Trust has been advised, on the basis of the regional position, that it is now considered to be operating at the same level of financial challenge as all other Trusts – the extent of this is not yet understood. The Trust will engage with DoH in relation to its plan for financial balance across HSC which will inform the Trust as to its targeted end-of-year reporting position. The Trust has been advised to anticipate further savings targets during the year. It is anticipated that DoH will lead in the development of a recovery plan for the region.

On the basis of the challenges described it is not yet possible to provide an end-of-year forecast, however I expect this to be a fluid position. In the interim our focus will be to monitor and report expenditure levels by Directorate and across key budget areas, monitor overspending levels against prior year baselines to identify growth, identify actions to address divergences, analyse COVID related expenditure on a risk basis against IPC Guidance or other related policy areas, enact exit strategies, meet SPPG / DoH leads regularly to confirm new and emerging financial planning assumptions for the period and negotiate additional income.

1. Financial Deficit

The Trust financial plan indicates a Trust opening deficit of £39.7m.

Table 1. Opening Deficit

	£'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
Revised Opening Deficit 2020/21	**40.0**
Less savings achieved	(4.5)
Opening Deficit 2021/22	**35.5**
Add income reduction 2021/22	1.0
Less savings/ income achievement 2021/22	(6.0)
Plus Increased financial pressures	9.2
Opening Deficit 2022/23	**39.7**

The opening deficit of £39.7m includes the residual element of the Recovery Plan at 1 April 2022 of £10m plus the 2019/20-2021/22 savings targets for which recurrent savings have not yet delivered. In addition there is an increase in pressures from the prior year of £9.2m.

The residual deficit of £10m is outlined in Table 2.

Table 2. Residual Deficit Analysis

	£'m
Opening Recurring Deficit	19.0
Less Recovery Plan Savings 2020/21	(3.1)
Less Other Income	(0.4)
Less Recovery Plan Income 2021/22	(1.5)
Less Recovery Plan Savings 2021/22	(4.0)
Residual Recovery Plan	**10.0**

It should be noted, that over the last five years Trust savings requirements / income reductions have been £12.2m higher than other comparable Trusts. This was intended to address a perceived over funding (by capitation). If this had not occurred, the opening deficit would have been much more comparable to other Trusts.

Over the last five years the Trust has lost £50m in income through savings requirements, this is a key contributing factor to the Trust deficit. In addition to the increased savings, the population growth in the Trust has been less than other areas, particularly in the older population and this has reduced demographic allocations by comparison to other Trusts.

Table 3. Projected Net Pressures 2022/23

	£'m
Opening Deficit 2022/23	39.7
Forecast New Pressures 2022/23	4.3
	44.0
SPPG Income – Deficit	(7.4)
Savings/ other opportunities	(3.9)*
Savings target 2022/23 – MORE	1.0
Projected Net Pressures 2022/23 excl COVID/ NMS	**33.7**
COVID (net of Q1 income)	26.0
No More Silos (net of in year funding)	1.1
Projected Net Pressures 2022/23 incl COVID/ NMS	**60.8**

*SPPG has outlined in it's letter dated 13 May 2022 the expectation that the level of savings/ opportunities delivered in 2021/22 would be repeated in 2022/23 at £7.1m. The Trust has not accepted this on the basis of a forecast reduction in COVID savings opportunities due to the requirement to rebuild services and has therefore included above a forecast for £3.9m.

The Trust has forecast new pressures for 2022/23 as £6.5m. This is a very modest forecast which includes various known inherent as well as specific growth areas including Demography, N.I. Protocol costs, Lakeview nursing and specialist drugs.

SPPG have confirmed a contribution towards these costs of £2.2m and so this pressure is now adjusted to £4.3m. Adjusting for the confirmed deficit income of £7.4m, forecast savings of £3.9m and the MORE savings target of £1m, the forecast net pressures are £33.7m.

The Trust assessment of projected costs for COVID for 2022/23 is £38m and No More Silos (NMS) £5m. SPPG has indicated funding of £12m for Covid Quarter 1 and £3.9m for NMS reducing the pressures for Covid and NMS to £27.1m. The Trust is reviewing its plans for No More Silos with an intention to bring plans back to funded levels and thus for this pressure to be avoided.

Total projected pressures including Covid and NMS is therefore £60.8m for this first draft version only.

The financial plan will be subject to revision on an iterative process as we work with SPPG on financial planning assumptions and as we refine Trust projections around pressures for 2022/23. There will be a redoubling of effort on cost reduction and avoidance and a drive to bring forecasts down. SPPG has advised the Trust can expect to have additional savings targets for 2022/23 as part of the Regional plan for financial balance.

2. Financial performance 31 May 2022

The Trust is reporting pressures of £5.6m at May 2022.

Table 4. Monitoring of Projected Pressures 2022/23

	2022/23 Projected Pressures £'m	**Position at 31 May 2022 £'m**
Opening Deficit 2022/23 (net of funding)	39.7	6.6
Pressures 2022/23 (net of funding)	4.3	0.5
SPPG Income – deficit	(7.4)	(1.2)
Savings/ other opportunities	(3.9)	(0.4)
Savings target 2022/23	1.0	0.1
Projected Pressures 2022/23 excluding Covid/ NMS	**33.7**	**5.6**
Covid (Q2-4 net of Q1 funding)	26.0	0.0
No More Silos (net of in year funding)	1.1	0.0
Projected Pressures 2022/23 including Covid/ NMS	**60.8**	**5.6**

The Trust is reporting an overspend against its budgets of £5.6m at 31st May 2022. This includes the application of funding confirmed to date by SPPG against deficit and pressures. The Trust has identified savings of £0.4m across its budgets significantly lower that the levels experienced in the prior year. Plans have not yet been developed in relation to the MORE Pharmacy savings programme for 2022/23 and therefore a pro-rata share of the year-to-date target forms part of the reported deficit. The profile of COVID costs and the No More Silos unfunded deficits are profiled for after the current quarter.

A new emerging pressure identified for 2022/23 relates to inflation on the PFI scheme of £293k for this period. This will be factored into revised projections for discussion with SPPG and reporting in future periods.

3. Financial Performance at 31 May 2022

Directorates are reporting an overspend of 5.1% for the period against the prior year reported budget variance of 5.2% demonstrating grip and control in relation to expenditure. Whilst the Trust bottom-line budget overspend variance in the prior year was an overspend of 1.4%, this had been achieved following the application of additional corporate solutions and savings, some of which will materialise as we progress through the year.

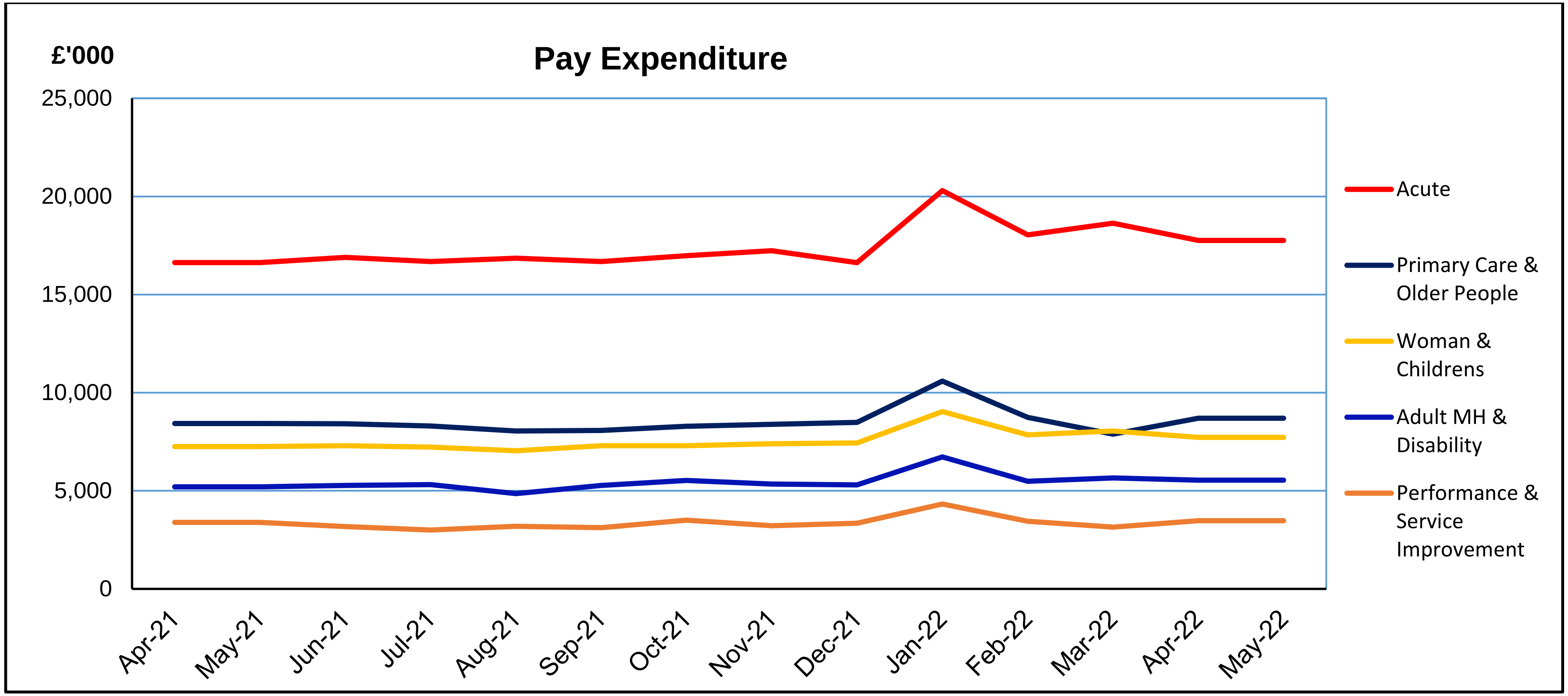
Table 5. Summary Financial Performance by Directorate

Directorate	Budget	Expenditure	Variance		Variance 2021/22
	£'000	£'000	£'000	%	%
Acute Services	38,817	43,340	4,523	11.7%	11.3%
Adult Mental Health & Disability	19,773	20,439	666	3.4%	3.8%
Primary Care & Older People	33,947	34,761	814	2.4%	4.1%
Women & Children's	19,006	19,607	601	3.2%	4.3%
Medical	767	712	(55)	(7.2%)	(1.1%)
Performance & Service Improvement	8,555	8,132	(423)	(4.9%)	(3.9%)
Finance & Contracting	1,793	1,773	(20)	(1.1%)	(2.5%)
Human Resources	889	853	(36)	(4.0%)	(6.7%)
Chief Executive Office	283	314	31	11.0%	(3.8%)
Trust Wide Corporate Services	141	132	(9)	(6.4%)	3.3%
Corporate Pay & Non-Pay	14,416	15,373	957	6.6%	0.6%
Directorate sub-total	**138,387**	**145,436**	**7,049**	**5.1%**	**5.2%**
Covid19	6,205	6,205	0	0.0%	0.0%
Corporate Solutions / income	1,586	0	(1,586)	(100.0%)	(100.0%)
Savings Target 2022/23	(171)	0	171	100.0%	100.0%
Reported Deficit	**146,007**	**151,641**	**5,634**	**3.9%**	**1.4%**

Pay Expenditure

The graph below illustrates trends in pay expenditure (excluding Covid-19) across the Trust by Directorate. The five directorates reported account for 96% of the Trust's total pay, with Acute Services and Primary Care and Older People accounting for 59% of the monthly payroll.

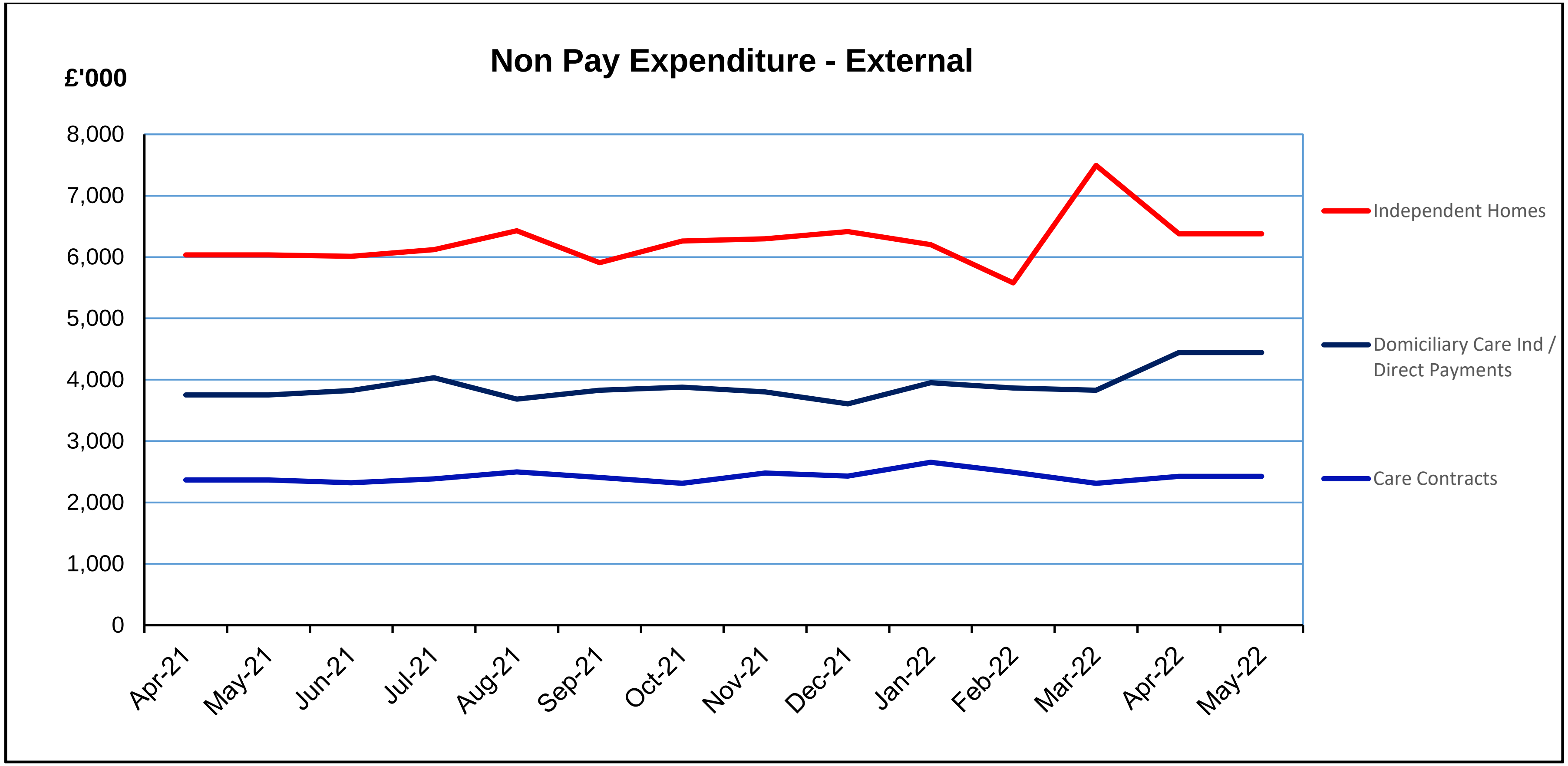
Table 6. Pay Expenditure



Non Pay Expenditure – External

The graph below illustrates trends in expenditure on external non pay expenditure (excluding Covid-19) across the Trust. Independent Homes, Domiciliary Care, Direct Payments and Care Contracts account for 48% of the monthly non-pay expenditure.

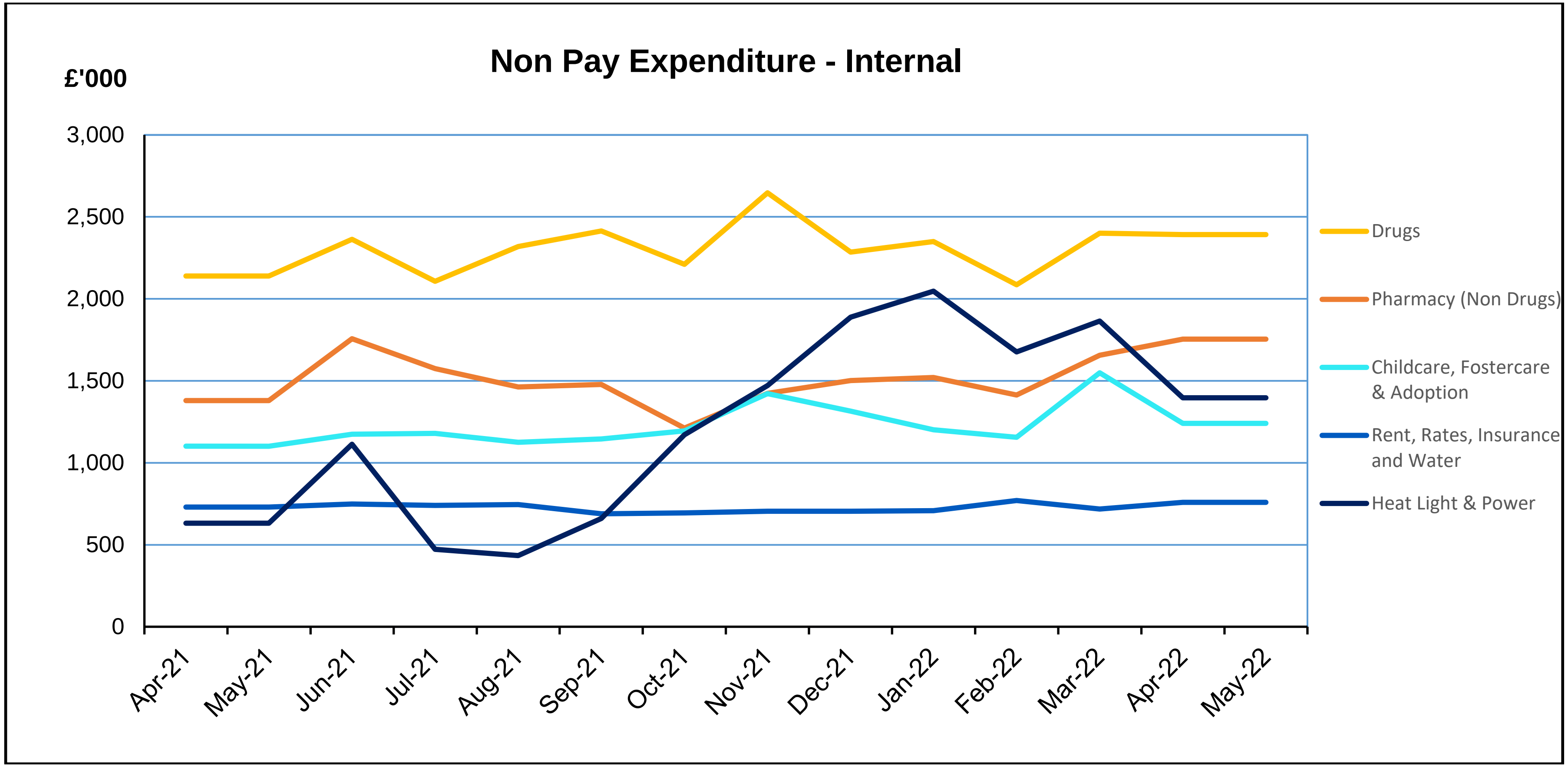
Table 7. Non Pay Expenditure – External



Non Pay Expenditure - Internal

The graph below illustrates trends in expenditure on internal non-pay expenditure (excluding Covid-19) across the Trust. The five areas reported account for 27% of the Trust's non pay expenditure.

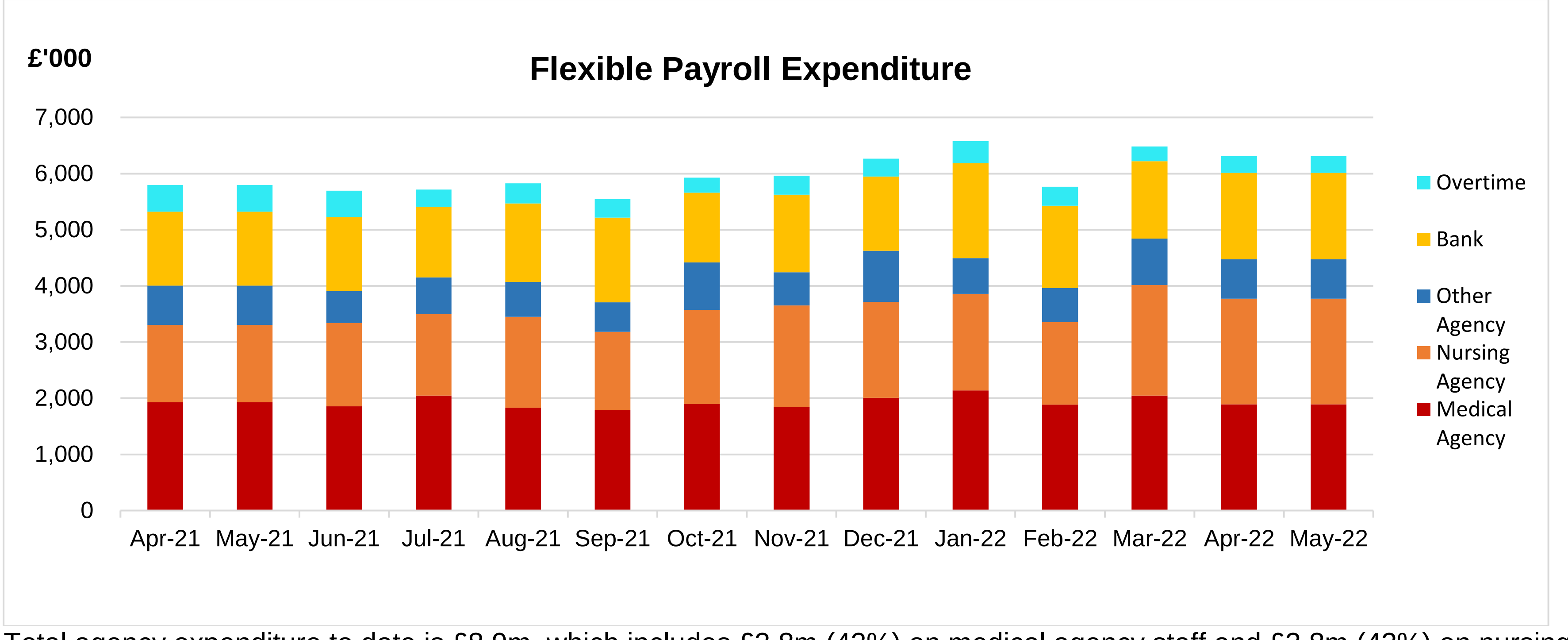
Table 8. Non Pay Expenditure - Internal



Flexible Staffing Expenditure

The graph below illustrates trends in flexible payroll expenditure on agency, bank and overtime usage across the Trust since April 2021. The total expenditure in 2022/23 to the end of May is £12.6m with expenditure on Acute Services being £5.1m (40.5%).

Table 9. Total Flexible Payroll Expenditure



Total agency expenditure to date is £8.9m, which includes £3.8m (42%) on medical agency staff and £3.8m (42%) on nursing agency staffing and £1.3m (16%) on other staffing. Expenditure on bank staff over the same period is £3.1m.
The average expenditure on flexible staffing for 2022/23 has increased by 6.15% on the average spend during 2021/22.
Medical agency – decrease of 2.3%; nursing agency – increase of 18.9%; other agency – increase of 2.45%, bank – increase of 11.3%, overtime – increase of 17.2%.

4. Capital Expenditure

The Trust has received a total capital allocation (Capital Resource Limit) of £23.26m from the Department of Health, the table below shows the expenditure to 30th April 2022 and planned year end position to 31st March 2023 as follows:-

Table 10. Capital Expenditure

Project	Capital Resource Limit (CRL) £'000	Expenditure at 30 April 2022 £'000	Forecast Expenditure at 31 March 2023 £'000
Altnagelvin 5.1 - Tower Block Development	4,950	124	4,950
Cityside HCC	4,026	58	4,026
Lisnaskea	1,341	32	1,341
General Capital	10,197	1,203	10,197
Backlog Maintenance	2,750	0	2,750
Total	**23,264**	**1,417**	**23,264**

5. Directorate KPI's

We are currently developing a series of Directorate KPI's to support the financial management framework. Areas we are developing KPI's for include Trust expenditure trajectory, budget variance current year by comparison to prior year, trends in specific high risk budgets, e.g. domiciliary care and monthly movements in financial performance.

6. Elective Care funding

The Trust has been advised of an indicative allocation for Q1/2 of £9.3m for the delivery of elective care across a range of specialties for in house and independent sector activity. The Trust is reporting expenditure of £1.1m as at 31 May 2022.

7. Prompt Payment Target

84.66% of undisputed invoices were paid within 30 working days of receipt against a target of 95%. This disappointing start reflects the sickness absence experienced in the Bank agency office and arrangements are being put in place by the Directorate to address the backlog.

8. Key Messages

- The Trust is reporting a financial deficit of £5.6m at end of May 2022.

- Across Directorates, overspends at 31 May 2022 are within the budget overspend percentages from the previous financial year, however, the full extent of funding and corporate solutions is not yet known.

- The Acute Directorate and Corporate Non-pay budgets have diverged from their prior year overspend position and therefore action will need to be taken to understand the movements and consider action to address including escalation of new financial pressures to SPPG.

- The Trust is projecting financial pressures of £44m for the year but it is not yet possible to confirm an end of year forecast out-turn. The financial plan will be subject to further revision as we work with SPPG on financial planning, income and savings assumptions.

- All Directorates must continue to focus on grip & control in their expenditure, cost avoidance to reduce forecast pressures and move to finalise their risk assessment of COVID costs to reduce costs going into the next quarter.

- In relation to the Trust recovery plan, CMT and Delivering Value Management Board continue to hold Directorates to account as it is imperative that Directorates deliver on planned savings for 2022/23 to support the overall Trust Financial Plan.

- The Trust will engage with DoH in its plans for a regional recovery plan.

Eimear McCauley
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