Western Health and Social Care Trust

Financial Performance Report

for the 3 months ended

30 June 2022

Financial Context for Month 3 2022/23 report

The financial performance report for the period to 30th June 2022 is still presented against a context of limited financial planning assumptions, income and constraints which have been outlined previously.

A letter from the Permanent Secretary on 29 June 2022 has further reinforced the financial management responsibilities of HSC Bodies in 2022/23 including:

- COVID-19 - there is no more additional funding and no obvious likelihood of extra funding from UKG for other reasons.
- There is a need to drive productivity back to pre COVID-19 levels
- The health economy is spending more quickly than even the draft budget profile and is at risk of a significant overspend
- HSC must strive to deliver services as efficiently as possible to make every penny of the budget count
- There can be a tension between increasing capacity to deliver on productivity goals while maintaining strong financial discipline. Both target the maximising of what we can deliver with the available resources
- Good financial management is the responsibility of everyone in the organisation
- The need to contain costs and avoid service growth or investment without confirmed recurrent funding or appropriate assurances from DoH has never been more important
- Lack of sufficient new funding to meet all of our pressures means we need to become more efficient to meet service need
- Senior teams need to reinforce the need for financial discipline across the Trust
- The Trust has been asked to consider how we can contribute to the HSC recovery and sustainability plan over the coming months to move the service away from its over-reliance on non recurrent funding over the next 2-3 years and towards a financially sustainable plan.

Financial performance targets	RAG STATUS
1. Manage within allocated Capital Resource Limit (CRL)	
The Trust has received a total capital allocation (Capital Resource Limit) of £31.3m from the Department of Health. Capital expenditure to the end of May 2022 is £2.9m.	
2. Minimise expenditure on agency and locum staff	
The Trust has spent £13.8m to 30th June 2022 on agency and locum staff. The average expenditure on agency and locum staff for 2022/23 has increased by 9.7% on the average spend last year. The average expenditure for flexible staffing has increased by 8.3% on the average spend last year. The graph (Table 9) shows all of our flexible staffing costs.	
3. **Prompt payment target – 95% of suppliers within 30 days**	
The Trust paid 85.79% of its undisputed invoices with suppliers within 30 days at 30 June 2022. In June 2022, 88.25% of undisputed invoices with suppliers were paid within 30 days. Staff absence in the bank office resulting in a delay in the approval of agency invoices contributed to this issue.	

1. Financial Deficit

The Trust financial plan indicates a Trust opening deficit of £35.9m.

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	(6.5)
Plus increased financial pressures	5.9
Opening Deficit 2022/23	**35.9**

The opening deficit of £35.9m 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 £5.9m which has reduced from £9.2m following confirmation of recurrent MORE savings and a review of pressures.

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

	2022/23 Pressures at May 22 £'m	2022/23 Pressures at June 22 £'m
Opening Deficit 2022/23	39.7	35.9
Forecast New Pressures 2022/23	4.3	7.8
	44.0	**43.7**
SPPG Income – Deficit	(7.4)	(7.4)
Savings/ other opportunities	(3.9)*	(3.9)*
Savings target 2022/23 – MORE (net of projected savings)	1.0	0.6
Projected Net Pressures 2022/23 excl COVID/ NMS	**33.7**	**33.0**
COVID (net of Q1 income)	26.0	26.0
No More Silos (net of in year funding)	1.1	0.0
Projected Net Pressures 2022/23 incl COVID/ NMS	**60.8**	**59.0**

*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 forecast for new pressures for 2022/23 has been revised to £10.2m. The increase mainly reflects the sharp increase in cost of living price increases across non-pay budgets and new high cost client placements.

SPPG have confirmed a contribution towards these costs of £2.4m and so this pressure is now adjusted to £7.8m. Adjusting for the confirmed deficit income of £7.4m, forecast savings of £3.9m and the MORE savings target (net of projected savings) of £0.6m, the forecast net pressures are now £33m.

The Trust has carried out a financial reassessment for No More Silos (NMS) which has brought the plan back to funded levels.

The Trust assessment of projected costs for COVID for 2022/23 is £38m. SPPG has indicated funding of £12m for Covid Quarter 1 reducing the pressure to £26m. The Permanent Secretary has advised there is no more additional funding for COVID beyond Quarter 1. The Trust is actively working on containing COVID expenditure beyond Quarter 1 to DoH Policy and Guidelines to reduce the financial risk to the Trust. However whilst guidelines remain and COVID continues to be present to current levels, it will be challenging to reduce expenditure further.

The Trust continues to work collaboratively with SPPG on the financial plan as we continue to refine our projections around pressures for 2022/23. 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 30 June 2022

The Trust is reporting pressures of £8.4m at June 2022.

Table 4. Monitoring of Projected Pressures 2022/23

	2022/23 Projected Pressures £'m	**Position at 30 June 2022 £'m**
Opening Deficit 2022/23 (net of funding)	35.9	9.6
Pressures 2022/23 (net of funding)	7.8	1.0
SPPG Income – deficit	(7.4)	(1.9)
Savings/ other opportunities	(3.9)	(0.5)
Savings target 2022/23 (net of savings)	0.6	0.2
Projected Pressures 2022/23 excluding Covid	**33.0**	**8.4**
Covid (Q2-4 net of Q1 funding)	26.0	0.0
Projected Pressures 2022/23 including Covid	**59.0**	**8.4**

The Trust is reporting an overspend against its budgets of £8.4m at 30th June 2022. This includes the application of funding confirmed to date by SPPG against the deficit and pressures. The Trust has identified savings of £0.5m across its budgets which is significantly lower that the levels experienced in the prior year. Plans of £0.4m have been developed in relation to the MORE Pharmacy savings programme for 2022/23 against a target of £1m and therefore a pro-rata share of the year-to-date gap forms part of the reported deficit. The Covid pressure is profiled for later in the year.

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 £2.0m as at 30 June 2022.

Financial Performance Highlights

The Acute Directorate has diverged from their prior year overspend position. Action is being taken through the Acute Finance Focus meeting to understand the movements and consider actions to address, including escalation of new financial pressures to SPPG.

Cost of living increases have impacted on Corporate non-pay budgets which have also deviated from the prior year overspend position. We will continue to monitor and alert SPPG to these emerging pressures.

3. <u>Financial Performance at 30 June 2022</u>

Directorates are reporting an overspend of 5.1% for the period against the prior month reported budget variance of 5.1% demonstrating grip and control in relation to expenditure.

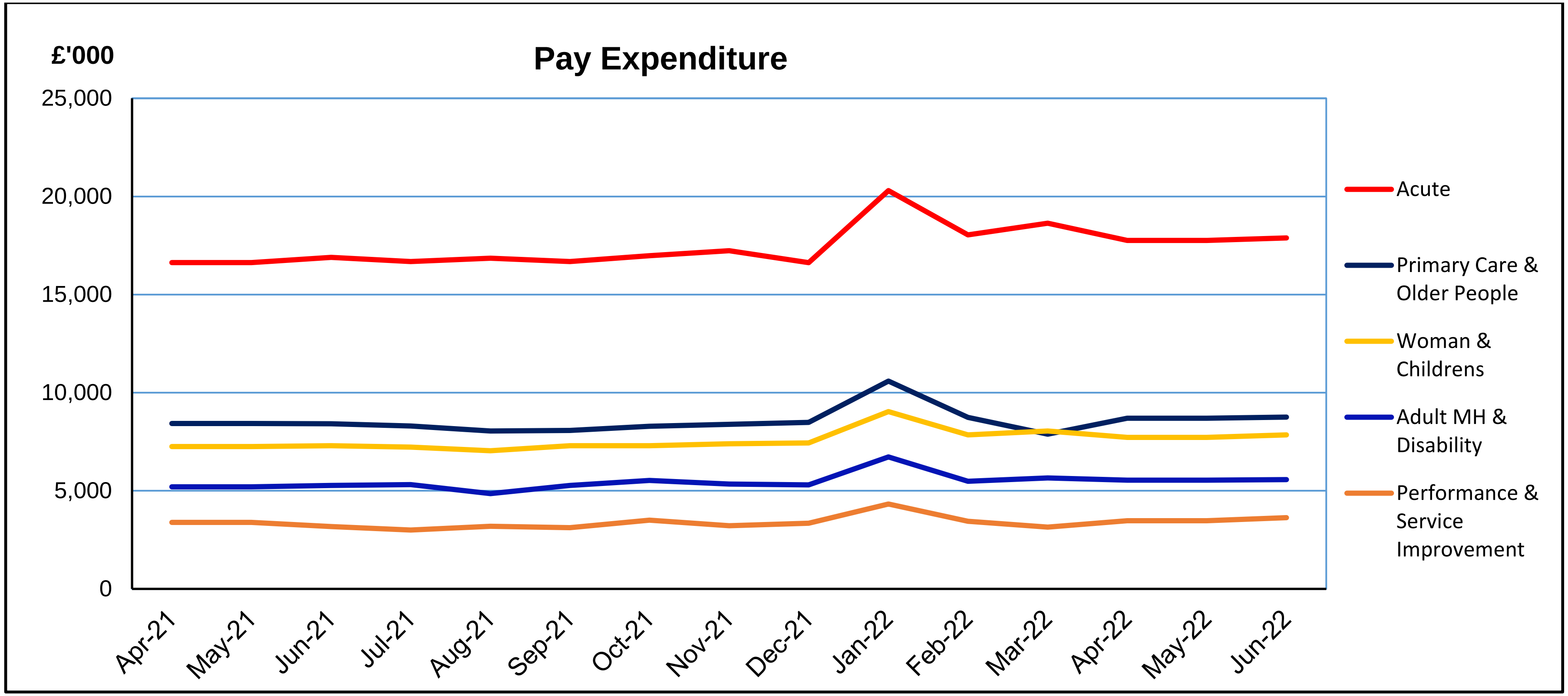
Table 5. Summary Financial Performance by Directorate

Directorate	Budget	Expenditure	June Variance		May Variance		Variance 2021/22
	£'000	£'000	£'000	%	£'000	%	%
Acute Services	58,516	65,247	6,731	11.5%	4,523	11.7%	11.3%
Adult Mental Health & Disability	29,765	30,835	1,070	3.6%	666	3.4%	3.8%
Primary Care & Older People	51,060	52,352	1,291	2.5%	814	2.4%	4.1%
Women & Children's	28,797	29,781	984	3.4%	601	3.2%	4.3%
Medical	1,158	1,076	(82)	(7.1%)	(55)	(7.2%)	(1.1%)
Performance & Service Improvement	12,931	12,385	(546)	(4.2%)	(423)	(4.9%)	(3.9%)
Finance & Contracting	2,711	2,647	(64)	(2.4%)	(20)	(1.1%)	(2.5%)
Human Resources	1,335	1,247	(88)	(6.6%)	(36)	(4.0%)	(6.7%)
Chief Executive Office	438	444	6	1.4%	31	11.0%	(3.8%)
Trust Wide Corporate Services e.g. E-Rostering, Bank Nursing Office & Staff Side	209	194	(15)	(7.2%)	(9)	(6.4%)	3.3%
Corporate Pay & Non-Pay e.g. Energy, Rates, Pharmacy etc.	21,081	22,386	1,305	6.2%	957	6.6%	0.6%
Directorate sub-total	**208,001**	**218,593**	**10,592**	**5.1%**	**7,049**	**5.1%**	**5.2%**
Covid19	10,253	10,253	0	0.0%	0	0.0%	0.0%
Corporate Solutions / income	2,333	0	(2,333)	(100.0%)	(1,586)	(100.0%)	(100.0%)
Savings Target 2022/23	(162)	0	162	100.0%	171	100.0%	100.0%
Reported Deficit	**220,425**	**228,846**	**8,421**	**3.8%**	**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.

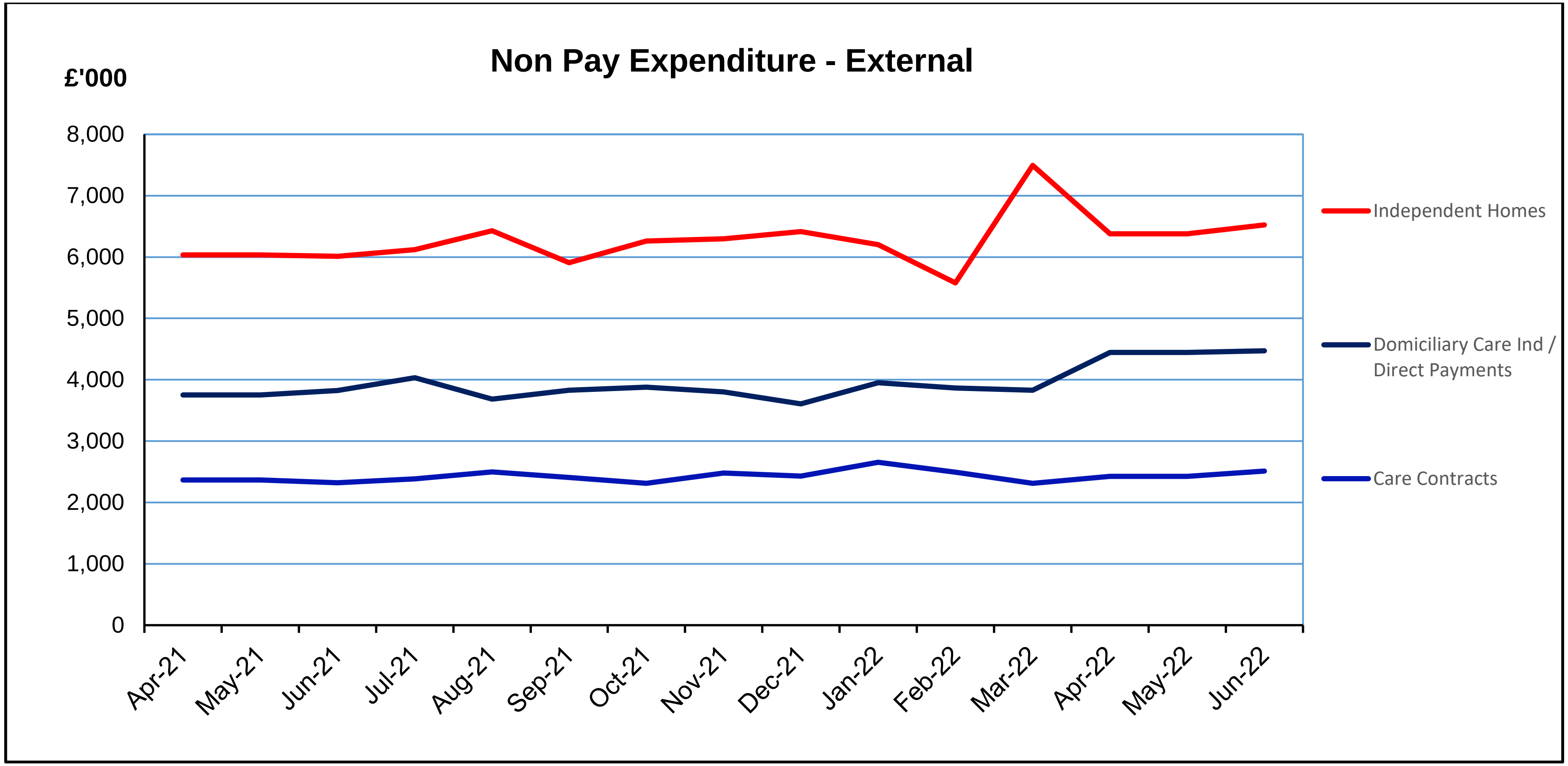
Table 6. Pay Expenditure



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 49% of the monthly non-pay expenditure.

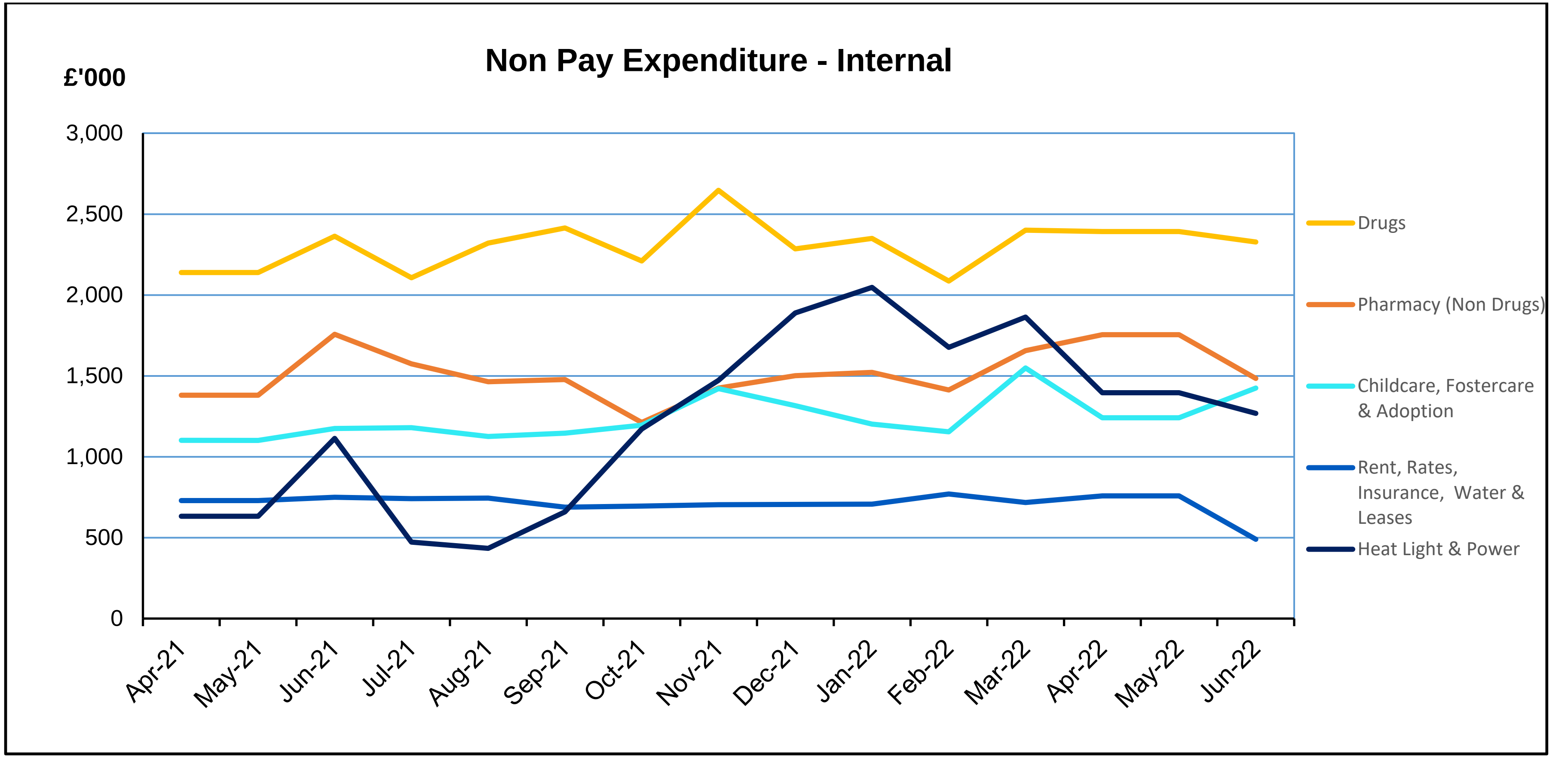
Table 7. Non Pay Expenditure – External



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 25% of the Trust's non pay expenditure.

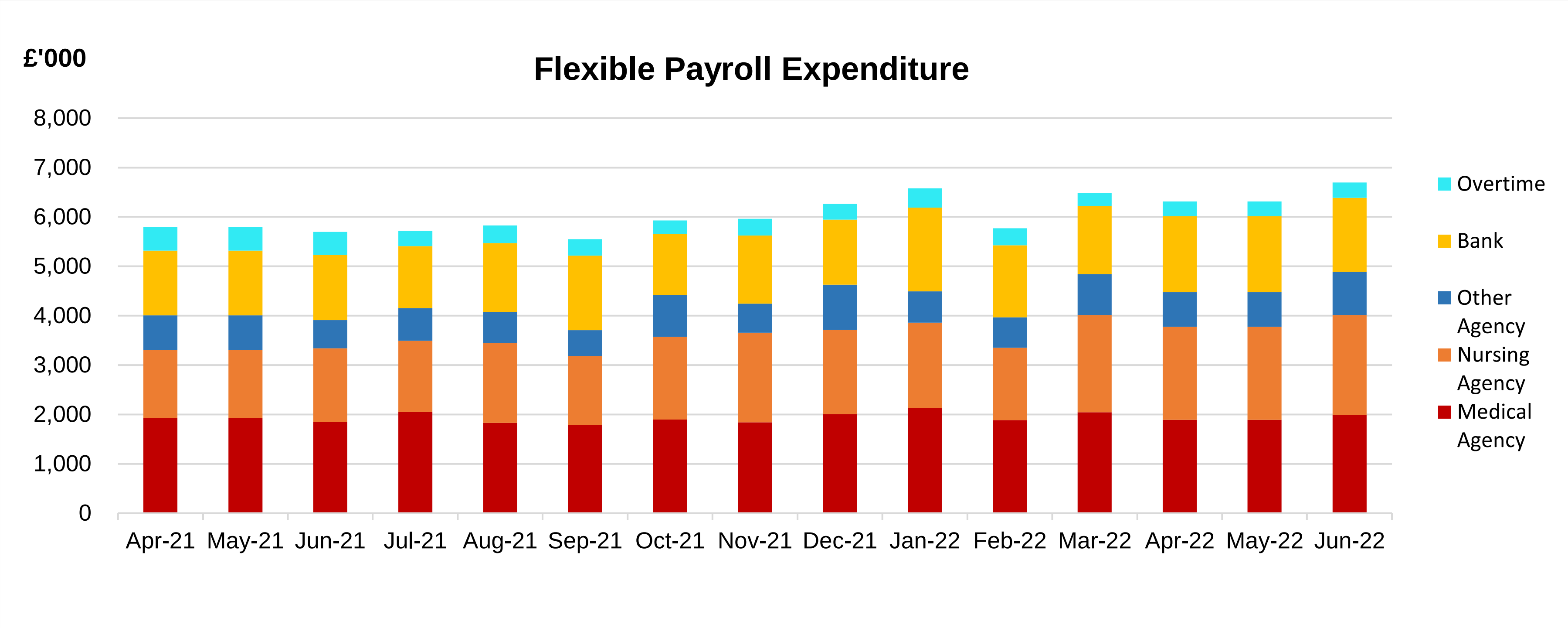
Table 8. Non Pay Expenditure - Internal



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 June is £19.3m with expenditure on Acute Services being £7.9m (40.9%).

Table 9. Total Flexible Payroll Expenditure



Total agency expenditure to date is £13.8m, which includes £5.8m (42%) on medical agency staff and £5.8m (42%) on nursing agency staffing and £2.3m (16%) on other staffing. Expenditure on bank staff over the same period is £4.6m.
The average expenditure on flexible staffing for 2022/23 has increased by 8.3% on the average spend during 2021/22.
Medical agency – decrease of 0.5%; nursing agency – increase of 21.7%; other agency – increase of 11.0%, bank – increase of 10.3%, overtime – decrease of 16.1%.

4. Capital Expenditure

The Trust has received a total capital allocation (Capital Resource Limit) of £31.3m from the Department of Health, the table below shows the expenditure to 31st May 2022 and planned year end position to 31st March 2023 as follows:-

Table 10. Capital Expenditure

Project	Capital Resource Limit (CRL) £'000	Expenditure at 31 May 2022 £'000	Forecast Expenditure at 31 March 2023 £'000
Altnagelvin 5.1 - Tower Block Development	4,215	262	4,215
Cityside HCC	4,026	131	4,026
Lisnaskea	1,341	67	1,341
ICT	1,913	0	1,913
General Capital	12,875	2,452	12,875
Backlog Maintenance	2,750	24	2,750
Imaging Diagnostics	2,930	0	2,930
Elective Care Equipment & Minor Works	1,282	0	1,282
Total	**31,332**	**2,936**	**31,332**

5. Key Messages

- The Trust is reporting a financial deficit of £8.4m at end of June 2022.
- Across Directorates, overspends at 30 June 2022 are in line with the previous month and within the budget overspend percentages from the previous financial year.
- The Trust is projecting financial pressures of £33.0m 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 reduce COVID spend for areas not supported by DoH Policy and Guidelines 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 recovery plan 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.

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