Western Health and Social Care Trust

Financial Performance Report

for the 5 months ended

31 August 2022

Financial Context for Month 5 2022/23 report

There has been limited change to the financial landscape being experienced by the Trust and therefore the performance report for the period to 31st August 2022 is presented against a context of limited financial planning assumptions, income and constraints which have been outlined previously. As previously noted, SPPG expect to be in a position to provide formal clarity in relation to allocations at the end of September 2022 which will support a mid-year assessment of Trust forecast pressures for 2022/23.

Formal communications from SPPG to the Trust in the convening period include as follows:

Agency Savings Target 2022/23

A letter from the Director of Finance, SPPG on 8 September has confirmed the position for the Trust in respect of the Minister's request to deliver regional savings of £15m with a focus on agency expenditure.

- There is a need to focus primarily on the reduction of off-contract agency expenditure in the context of significant workforce challenges facing HSC;
- Cultural and business changes will be necessary to move this programme forward;
- The Trust share of the £15m Regional savings target is £2.367m and SPPG expect the Trust to deliver these savings in-full and with a resultant reduction in the current level of forecast pressures.
- SPPG will monitor achievement as an increase to our in year savings target.

The regional Agency Reduction Working Group (ARWG) has identified that the causes of increased agency / locum expenditure are multi-faceted and inter-connected and therefore in order to address the problem will require HSC taking a wide range of actions over a sustained period of time. The savings target is recognised as a short-term key priority and the ARWG are bringing forward proposals for consideration of the achievement of savings required. The Trust recognises that there could be a time lag between the achievement of sustainable savings arising from the recommendations and ARWG and the financial period to which the target relates in the first instance and therefore Directors have agreed a share of the target based on their proportionate share of pay-bill to target opportunities to deliver savings in year.

Cost Containment 2022/23

A letter from the Director of Finance, SPPG on 15 September has placed further focus on arrangements which the Trust has in place to support regional financial balance. Formal assurances have been provided in return in relation to programmes in place within the Trust in relation to Delivering Value, Discretionary Spend, COVID, Other Cost Containment / Controls including Travel, Energy, management of rotas and workforce stabilisation groups. The Trust response will be discussed at a future engagement with SPPG.

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 £34.66m from the Department of Health. Capital expenditure to the end of July 2022 is £6.4m.	
2. Directorates Cost containment target 5.2%	
Directorates overspend at 31st August 2022 is 5.6%. This is an increase of 0.4% on the 2021/22 overspend of 5.2%. Reasons for this increase are in the main related to increased usage of expensive nursing agency and high cost client packages in the independent sector. See Table 5 for more detail.	
3. Minimise expenditure on agency and locum staff	
The Trust has spent £24.2m to 31st August 2022 on agency and locum staff. The average expenditure on agency and locum staff for 2022/23 has increased by 14.9% on the average spend last year. The average expenditure for flexible staffing has increased by 12.0% on the average spend last year. The graph (Table 9) reports the detail of flexible staffing costs.	
4. Prompt payment target – 95% of suppliers within 30 days	
The Trust paid 86.54% of its undisputed invoices with suppliers within 30 days at 30 August 2022. In August 2022, 88.28% of undisputed invoices with suppliers were paid within 30 days. Prompt Payment improved slightly in August despite finance systems being unavailable for 10 days. The systems issues will have had an effect on payments to all suppliers and ongoing staff absence in the bank office continues to delay the approval of agency invoices. Additional staff have been secured from other Directorates to support the bank office in addressing the backlog.	

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 June 22 £'m	2022/23 Pressures at Sept 22 £'m
Opening Deficit 2022/23	35.9	35.9
Forecast New Pressures 2022/23	7.8	7.8
	43.7	**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)	0.6	0.6
Savings target 2022/23 – agency	0.0	0.0
Projected Net Pressures 2022/23 excl COVID/ NMS	**33.0**	**33.0**
COVID (net of Q1 income)	26.0	13.0
No More Silos (net of in year funding)	0.0	0.0
Projected Net Pressures 2022/23 incl COVID/ NMS	**59.0**	**46.0**

*SPPG has outlined in its 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 assessment of projected costs for COVID for 2022/23 has been revised to £31.8m. SPPG has indicated funding of £18.8m for Covid response Quarter 1 and PPE Quarter 1 to 4 reducing the pressure to £13m. The Trust is actively working on reducing and containing COVID expenditure beyond Quarter 1 to DoH Policy and Guidelines to reduce the financial risk to the Trust following advice from the Permanent Secretary that there is no more additional funding for COVID response beyond Quarter 1. However whilst guidelines remain and COVID continues to be present to current levels, it will be challenging to reduce expenditure further.

The Trust has received a letter from SPPG on 8 September 2022 confirming its share of the regional target for agency savings of £2.367m. The expectation of SPPG is that the Trust will achieve these savings in full and Directors are prioritising the development of plans. Monitoring will commence in the report for the period ending 31st October 2022.

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

2. Financial performance 31 August 2022

The Trust is reporting pressures of £18.5m at June 2022.

Table 4. Monitoring of Projected Pressures 2022/23

	2022/23 Projected Pressures £'m	**Position at 31 August 2022 £'m**
Opening Deficit 2022/23 (net of funding)	35.9	17.7
Pressures 2022/23 (net of funding)	7.8	1.9
SPPG Income – deficit	(7.4)	(3.0)
Savings/ other opportunities	(3.9)	(0.9)
Savings target 2022/23 (net of savings)	0.6	0.3
Projected Pressures 2022/23 excluding Covid	**33.0**	**16.0**
Covid (Q2-4 net of Q1 funding)	13.0	2.5
Projected Pressures 2022/23 including Covid	**46.0**	**18.5**

The Trust is reporting an overspend against its budgets of £18.5m at 31st August 2022. This includes the application of funding confirmed to date by SPPG against the deficit and pressures. The Trust has identified savings of £0.9m 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. SPPG has advised the Trust should only assume COVID funding for PPE beyond Quarter 1. The Trust is now reporting an overspend relating to response costs for Quarter 2 of £2.5m.

The Trust has been advised of an indicative allocation for Q1/3 of £13.4m for the delivery of elective care across a range of specialties for in house and independent sector activity. The Trust is reporting expenditure of £4.9m as at 31 August 2022.

Financial Performance Highlights

The Acute Directorate has diverged from their prior year overspend position by £1.3m (1%). This is mainly across pay budgets and in particular due to increased high cost agency nursing usage. The Adult Mental Health and Disability Directorate has also diverged from their prior year overspend position by £0.3m (0.3%). This is mainly due to an increase in high cost client packages in the independent sector. Directors will be required to take action through their SMT's to develop recovery plans to bring their financial performance back to target prior year levels.

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 for 2022/23.

3. Financial Performance at 31 August 2022

Directorates are reporting an overspend of 5.6% for the period against the prior month reported budget variance of 5.1%. All service Directorates have diverged from their prior month position and must now recovery of this position to ensure that Trust expenditure does not fluctuate above prior year levels.

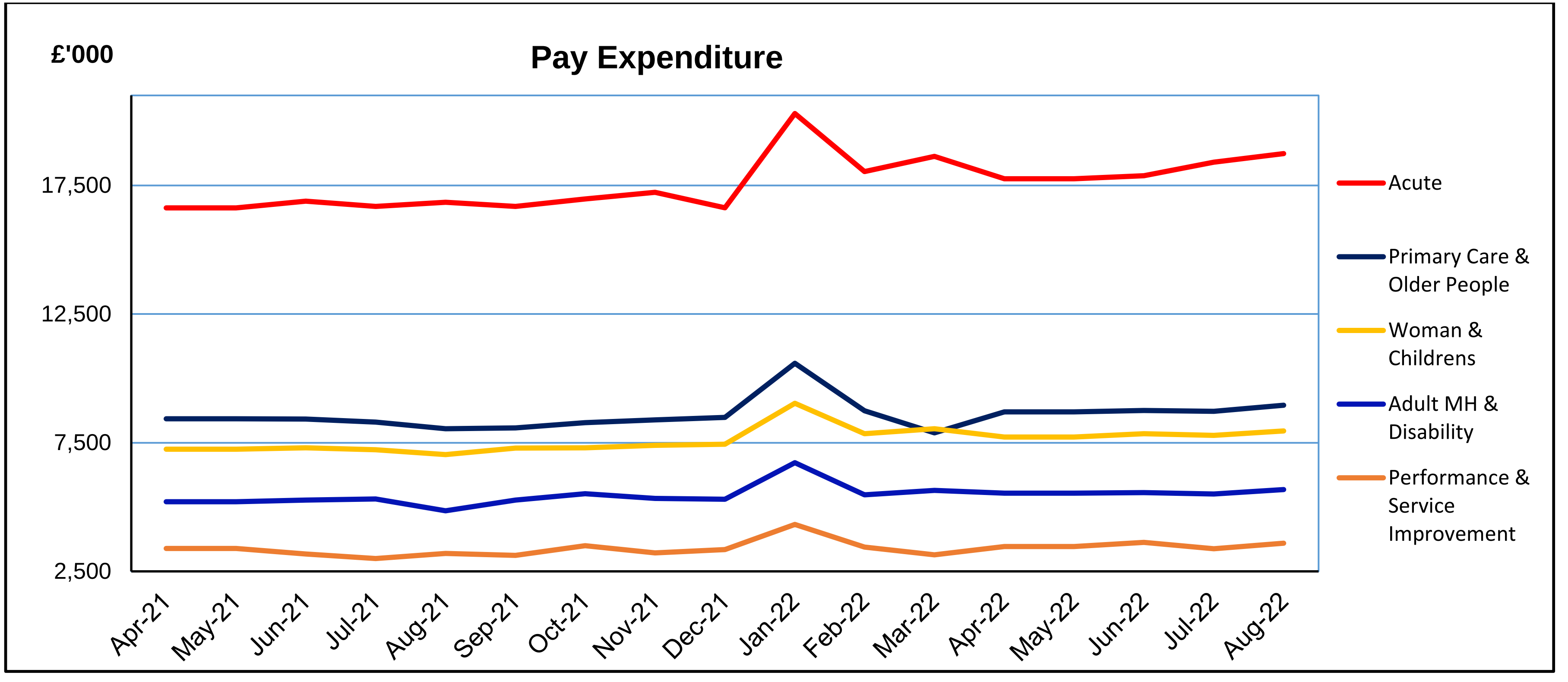
Table 5. Summary Financial Performance by Directorate

Directorate	Budget	Expenditure	August Variance		June Variance		Variance 2021/22
	£'000	£'000	£'000	%	£'000	%	%
Acute Services	99,505	111,729	12,224	12.3%	6,731	11.5%	11.3%
Adult Mental Health & Disability	49,966	52,035	2,069	4.1%	1,070	3.6%	3.8%
Primary Care & Older People	86,149	88,807	2,658	3.1%	1,291	2.5%	4.1%
Women & Children's	47,792	49,759	1,967	4.1%	984	3.4%	4.3%
Medical	1,939	1,826	(113)	(5.8%)	(82)	(7.1%)	(1.1%)
Performance & Service Improvement	21,531	20,635	(896)	(4.2%)	(546)	(4.2%)	(3.9%)
Finance & Contracting	4,561	4,324	(237)	(5.2%)	(64)	(2.4%)	(2.5%)
Human Resources	2,210	2,080	(130)	(5.9%)	(88)	(6.6%)	(6.7%)
Chief Executive Office	754	783	29	3.8%	6	1.4%	(3.8%)
Trust Wide Corporate Services e.g. E-Roster, Bank Office & Staff Side	346	322	(24)	(6.9%)	(15)	(7.2%)	3.3%
Corporate Pay & Non-Pay e.g. Energy, Rates, Pharmacy etc.	34,940	36,844	1,904	5.4%	1,305	6.2%	1.3%
Directorate sub-total	**349,693**	**369,144**	**19,451**	**5.6%**	**10,592**	**5.1%**	**5.2%**
Covid19	11,520	14,218	2,698	23.4%	0	0.0%	0.0%
Corporate Solutions / income	3,950	0	(3,950)	(100.0%)	(2,333)	(100.0%)	(100.0%)
Savings Target 2022/23	(293)	0	293	(100.0%)	162	100.0%	100.0%
Reported Deficit	**364,870**	**383,262**	**18,492**	**5.1%**	**8,421**	**3.8%**	**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 52% of the monthly payroll.

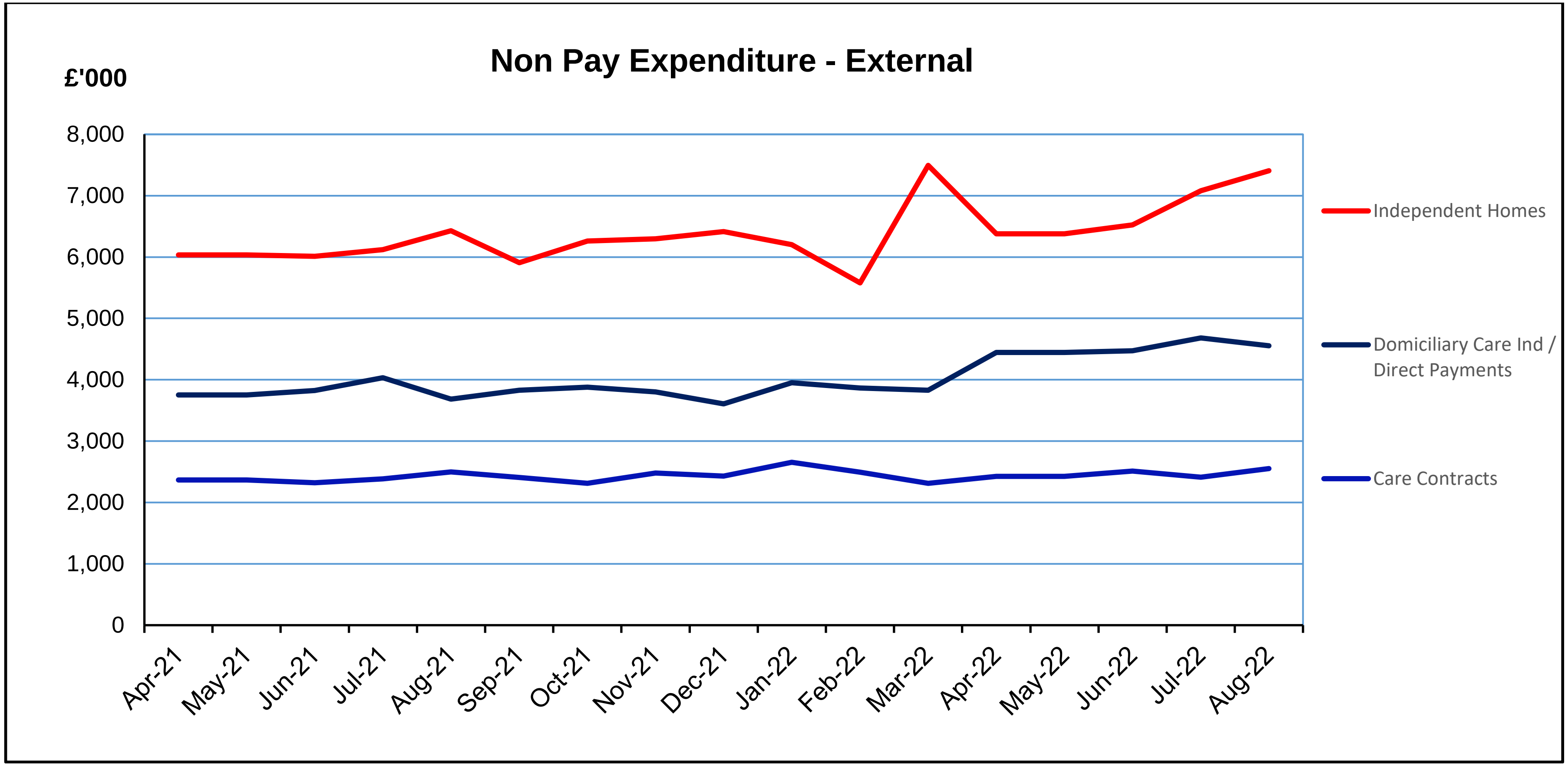
Table 6. Pay Expenditure



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. The increase in independent homes expenditure is across AMHD and PCOP directorates.

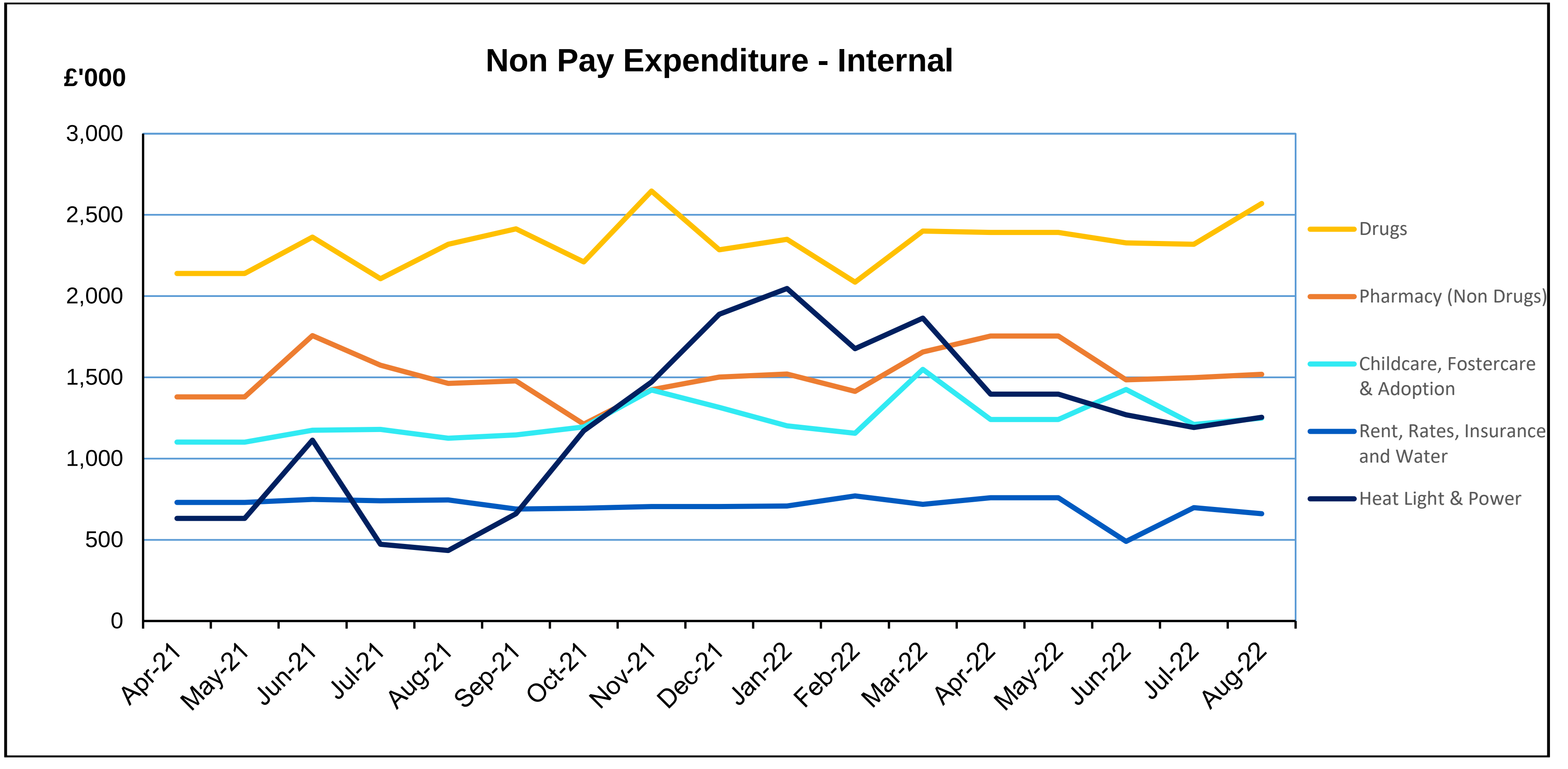
Table 7. Non Pay Expenditure – External



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.

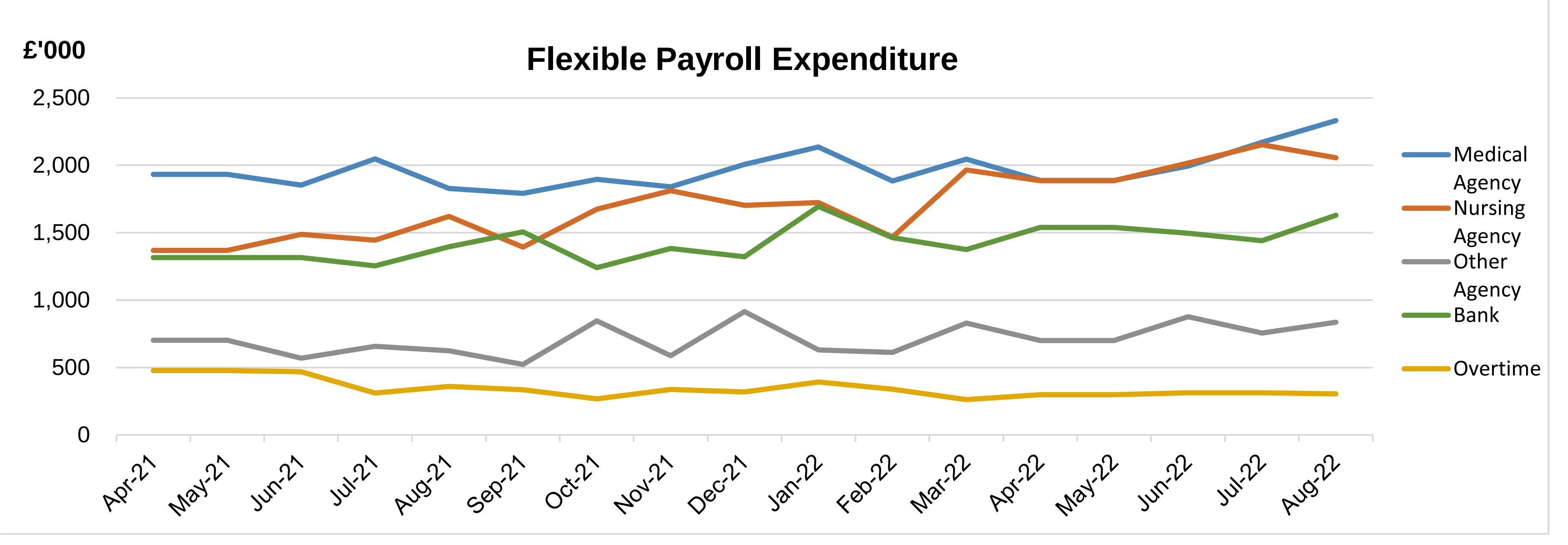
Table 8. Non Pay Expenditure - Internal



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 August is £33.3m with expenditure on Acute Services being £14.3m (42.8%).

Table 9. Total Flexible Payroll Expenditure



Total agency expenditure to date is £24.2m, which includes £10.3m (42%) on medical agency staff and £10.0m (41%) on nursing agency staffing and £3.9m (16%) on other staffing. Expenditure on bank staff over the same period is £7.6m.
The average expenditure on flexible staffing for 2022/23 has increased by 12.0% on the average spend during 2021/22. Medical agency – increase of 6.3%; nursing agency – increase of 26.1%; other agency – increase of 13.2%, bank – increase of 10.6%, overtime – decrease of 15.7%.

4. Capital Expenditure

The Trust has received a total capital allocation (Capital Resource Limit) of £34.66 from the Department of Health, the table below shows the expenditure to 31st July 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 July 2022 £'000	Forecast Expenditure at 31 March 2023 £'000
Altnagelvin 5.1 - Tower Block Development	4,215	1,028	4,215
Cityside HCC	4,026	282	4,026
Lisnaskea	1,341	176	1,341
ICT	2,021	135	2,021
General Capital	12,876	4,737	12,876
Backlog Maintenance	2,750	44	2,750
Invest to Save	1,033	0	1,033
MH Tash & Finish	576	0	576
Imaging Diagnostics	4,055	0	4,055
Decontamination	485	0	485
Elective Care Equipment & Minor Works	1,282	0	1,282
Total	**34,660**	**6,402**	**34,660**

5. Key Messages

- The Trust is reporting a financial deficit of £18.5m at 31 August 2022.

- Across Directorates, overspends have increased from June 2022 and are above the budget overspend percentages from the previous financial year. Financial recovery to prior year percentage levels is critical now to ensure that the Trust recovers this position and therefore discussions will take place at Directorate SMT, Finance Focus and mid-year Chief Executive Assurance meetings in this regard.

- 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. We will be completing a mid-year review of the Trust financial position taking account of the expected update from SPPG at the end of September 2022 in relation to further income assumptions for the remainder of this financial year.

- All Directorates must focus on expenditure avoidance or containment to reduce forecast pressures.

- In relation to the Trust recovery plan, a formal close report will be submitted to SPPG/DoH at the end of September 2022.

- Trust Delivering Value Management Board is currently under review, as part of establishment of the Trust Working Together Delivering Change structure, to ensure that its scope aligns with current strategic requirements, taking into account ongoing projects, new opportunities and the regional focus for agency savings.

Eimear McCauley
Director of Finance, ICT & Contracting