Western Health and Social Care Trust

Financial Performance Report

for the 6 months ended

30 September 2022

Financial Context for Month 6 2022/23 report

SPPG have issued two letters to the Trust which are intended to formalise a balance of indicative allocations to the Trust for 2022/23.

Letter dated 6th October 2022 formalising the balance of indicative allocations for the Trust.

Key assumptions which have been made include as follows:

i. Financial projections should continue to assume that the excess Energy Costs may be funded and while there is no guarantee of additional funding, HSC will seek to manage these costs centrally.
ii. In-year savings opportunities of at least £7.15m will be delivered.
iii. The Trust must deliver against the in-year agency target of £2.367m.

The Minister has approved the following allocations to the Trust:

Funding for non-pay inflation (>2% incl. PFI)	£ 3.081m
Funding for demand / inescapable pressures	£ 3.874m
Funding for in-year deficit support	£10.987m

These are assumed as non-recurring for now but are subject to further confirmation. Based on previous submissions to SPPG this results in a projected in-year Trust deficit of £10.27m (see Table 3). A meeting with SPPG is forthcoming to discuss this position and associated challenges and risks.

7 October 2022 Trust Covid Allocations

This letter confirms Ministerial approval of funding for COVID costs for the Trust as part of it's response 2022/23 of £31.8m. Funding for COVID has been sourced from the overall budget allocation with no additional funding having been received by DoH Against the current forecast, this results in a deficit of £0.8m associated with COVID expenditure. On that basis the Trust will keep expenditure under review and continue the work to drive down where possible.

This report reflects the impact of this confirmed funding to Trust pressures and deficit projection.

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 £35.23m from the Department of Health. Capital expenditure to the end of August 2022 is £8.2m.	
2. Directorates Cost containment target 5.2%	
Directorates overspend at 30th September 2022 is 5.7%. This is an increase of 0.5% 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 £30.0m to 30th September 2022 on agency and locum staff. The average expenditure on agency and locum staff for 2022/23 has increased by 19.0% on the average spend last year. The average expenditure for flexible staffing has increased by 15.1% 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 84.91% of its undisputed invoices with suppliers within 30 days at 30 September 2022. In September 2022, 77.3% of undisputed invoices with suppliers were paid within 30 days. The system outage in August appears to have had a greater impact on Prompt Payment in September than it did in August due to a backlog in invoice scanning at the Regional Payments Shared Services centre.	

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 Deficit 2022/23

	2022/23 Pressures at Sept 22 £'m	2022/23 Pressures at Oct 22 £'m
Opening Deficit 2022/23	35.9	35.9
Forecast New Pressures 2022/23	7.8	0.8
	43.7	**36.7**
Savings target 2022/23 – MORE (net of projected savings)	0.6	1.0
SPPG Income – Deficit	(7.4)	(18.7)
Savings* / other opportunities	(3.9)	(7.1)
Savings target 2022/23 – agency	0.0	(2.4)
Projected Deficit 2022/23 excl COVID	**33.0**	**9.5**
COVID	13.0	0.8
Total Projected Deficit	**46.0**	**10.3**

*SPPG had 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 had not accepted this on the basis of a forecast reduction in COVID savings opportunities due to the requirement to rebuild services and had therefore included in earlier versions a forecast for £3.9m. The letter dated 6 October 2022 further confirms an expectation that the Trust will deliver against this target of £7.1m in full. The Trust is expecting to deliver £3.9m of savings and the gap is being bridged from other opportunities.

The Trust has completed the mid-year assessment of the financial position and with confirmed income for the year is now in a position to forecast a deficit of £10.3m for 2022/23. This takes account of all indicative funding allocations confirmed by SPPG as well as a robust review of expenditure trajectories and other solutions which can contribute towards financial balance.

In reaching this deficit position, the following planning assumptions have been applied:

- The agency savings target of £2.4m will be delivered in full;
- The Trust will deliver recovery plan and general savings of £3.9m in full;
- Financial accounting adjustments, other income opportunities and slippage from in-year funding has been factored into the assessment and is being offset against unfunded in-year financial pressures growths and the general savings target gap;
- Expenditure will remain in line with current trajectories with no increases above funded levels provided by SPPG.
- Directors will continue to focus on actions previously agreed in relation to Transformation funding and COVID expenditure.

The Trust assessment of projected costs for COVID for 2022/23 has been revised to £32.6m. SPPG has indicated funding of £31.8m reducing the pressure to £0.8m and therefore Directors must continue to drive down costs in line with actions agreed at CMT in August 2022.

2. Financial performance 30 September 2022

The Trust is reporting pressures of £6.9m at September 2022.

Table 4. Monitoring of Projected Pressures 2022/23

	2022/23 Projected Pressures £'m	**Position at 30 Sept 2022 £'m**
Opening Deficit 2022/23 (net of funding)	35.9	17.2
Pressures 2022/23 (net of funding)	0.8	0.8
Savings target MORE 2022/23	1.0	1.0
SPPG Income – deficit	(18.7)	(9.4)
Savings/ other opportunities	(7.1)	(3.1)
Savings target – agency	(2.4)	0.0
Projected Deficit 2022/23 excl COVID	**9.5**	**6.5**
COVID	0.8	0.4
Total Projected Deficit	**10.3**	**6.9**

The Trust is reporting an overspend of £6.9m at 30th September 2022. This includes the application of funding confirmed to date by SPPG against pressures and towards the deficit. In-year pressures and the savings gap are being addressed through the application of in-year slippage, financial accounting adjustments and other income opportunities.

The Trust has achieved savings of £1.0m across its budgets which is significantly lower that the levels experienced in the prior year and against which SPPG has indicated a target of £7.1m.

The Trust has been advised of an indicative allocation for Q1-Q3 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 £7.0m as at 30 September 2022. Some activity commissioned by the Trust in Q3 will be delivered by providers during Q4 2022/23. Indications from SPPG are that there will be no additional funding for Q4 2022/23.

Financial Performance Highlights

The Acute Directorate has diverged from their prior year overspend position by £2.5m (1.6%). This is mainly across pay budgets and in particular is due to increased high cost agency nursing usage.

Cost of living increases have impacted on Corporate non-pay budgets which have also deviated from the prior year overspend position and the inflation >2% allocation confirmed is being used to offset these in-year pressures. We will continue to monitor and alert SPPG on this as required.

3. Financial Performance at 30 September 2022

Directorates are reporting an overspend of 5.7% for the period against the prior month reported budget variance of 5.6%. The bottom-line position for the Trust is an overspend of 1.5% against budget.

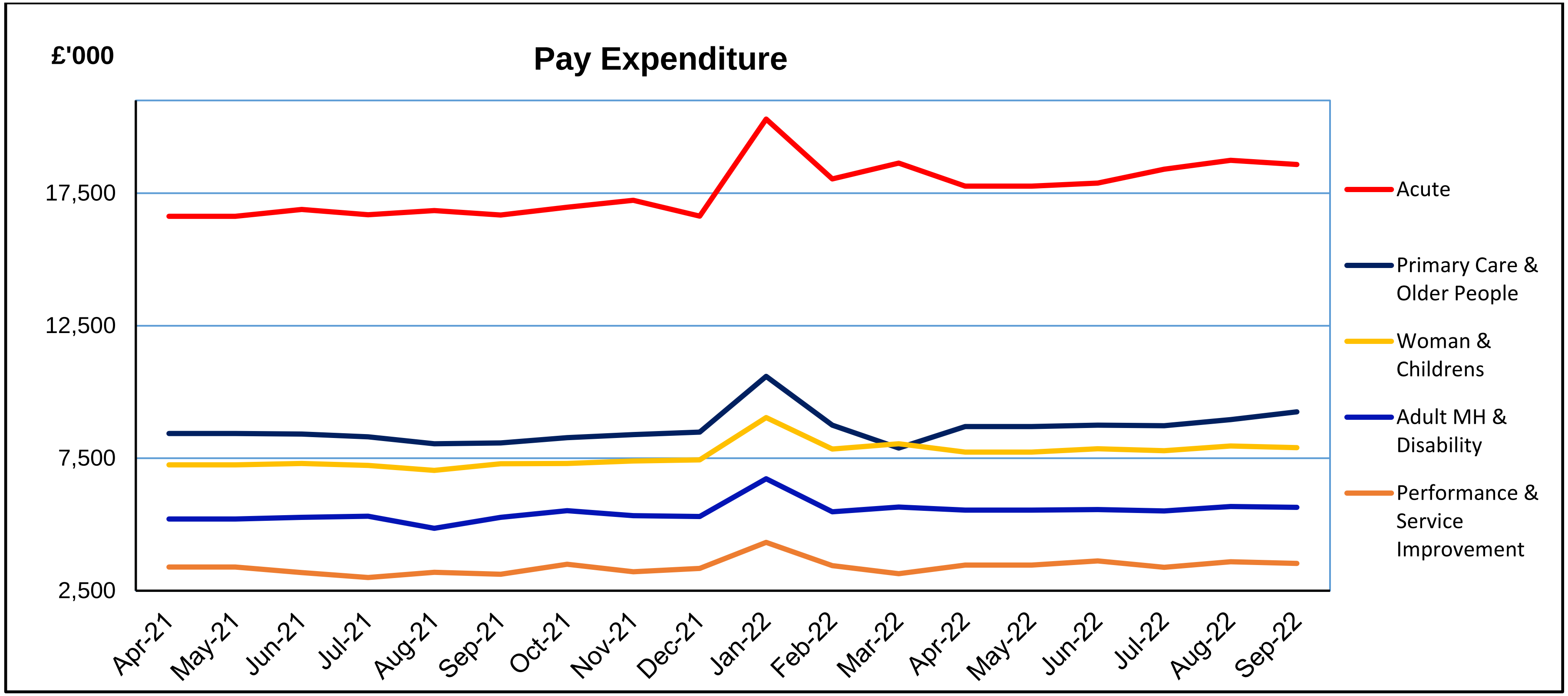
Table 5. Summary Financial Performance by Directorate

Directorate	Budget	Expenditure	September Variance		August Variance		Variance 2021/22
	£'000	£'000	£'000	%	£'000	%	%
Acute Services	120,362	135,947	15,585	12.9%	12,224	12.3%	11.3%
Adult Mental Health & Disability	60,141	62,454	2,313	3.8%	2,069	4.1%	3.8%
Primary Care & Older People	103,476	107,171	3,695	3.6%	2,658	3.1%	4.1%
Women & Children's	57,518	59,830	2,312	4.0%	1,967	4.1%	4.3%
Medical	2,341	2,201	(140)	(6.0%)	(113)	(5.8%)	(1.1%)
Performance & Service Improvement	25,904	24,613	(1,291)	(5.0%)	(896)	(4.2%)	(3.9%)
Finance & Contracting	5,421	5,171	(250)	(4.6%)	(237)	(5.2%)	(2.5%)
Human Resources	2,655	2,528	(127)	(4.8%)	(130)	(5.9%)	(6.7%)
Chief Executive Office	904	939	35	3.9%	29	3.8%	(3.8%)
Trust Wide Corporate Services e.g. E-Roster, Bank Office & Staff Side	414	399	(15)	(3.6%)	(24)	(6.9%)	3.3%
Corporate Pay & Non-Pay e.g. Energy, Rates, Pharmacy etc.	42,945	44,812	1,867	4.3%	1,904	5.4%	1.3%
Directorate sub-total	**422,081**	**446,065**	**23,984**	**5.7%**	**19,451**	**5.6%**	**5.2%**
Covid19	15,746	16,454	708	4.5%	2,698	23.4%	0.0%
Corporate Solutions / income	18,175	0	(18,175)	(100.0%)	(3,950)	(100.0%)	(100.0%)
Savings Target 2022/23	(364)	0	364	(100.0%)	293	(100.0%)	100.0%
Reported Deficit	**455,638**	**462,519**	**6,881**	**1.5%**	**18,492**	**5.1%**	**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 60% of the monthly payroll.

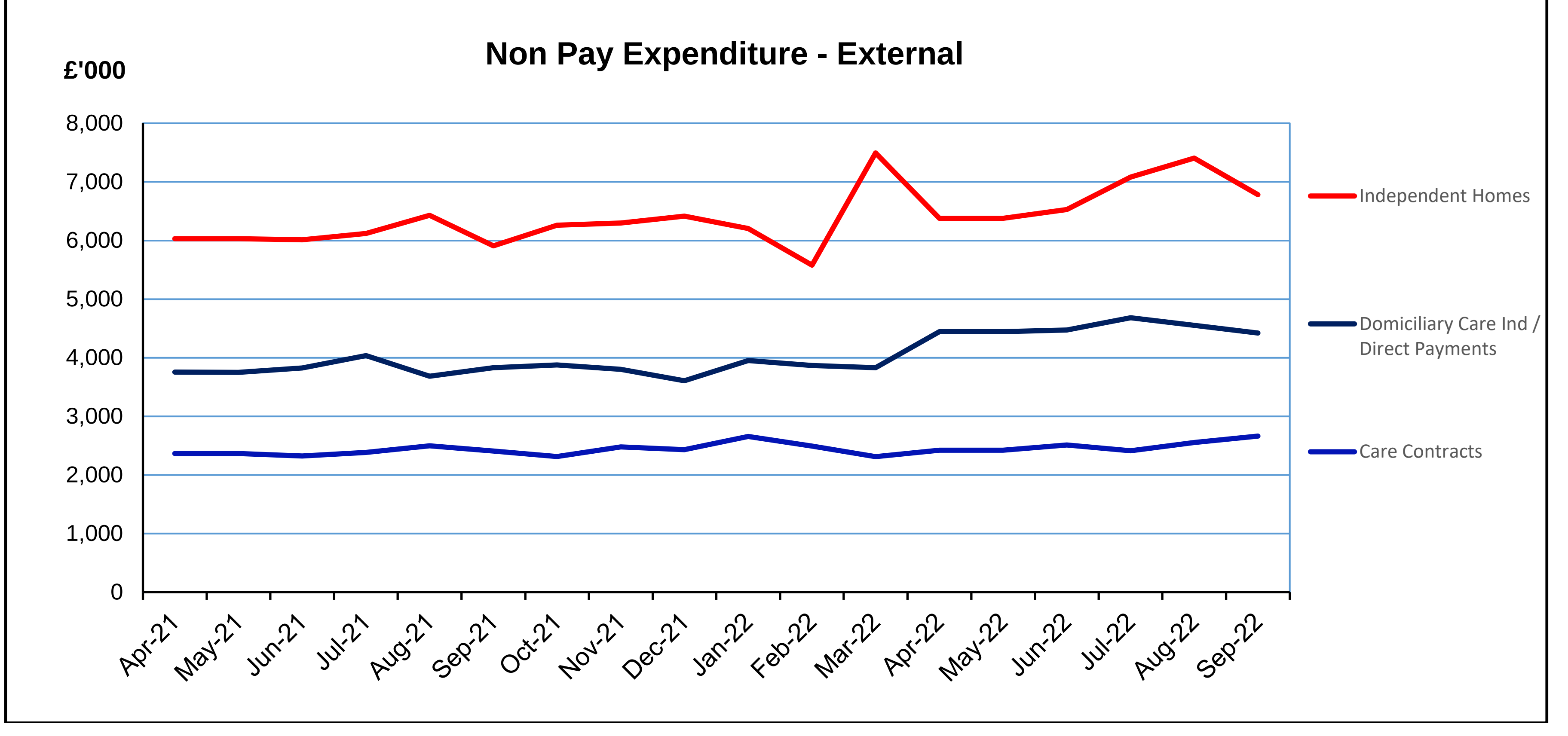
Table 6. Pay Expenditure



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 46% of the monthly non-pay expenditure.

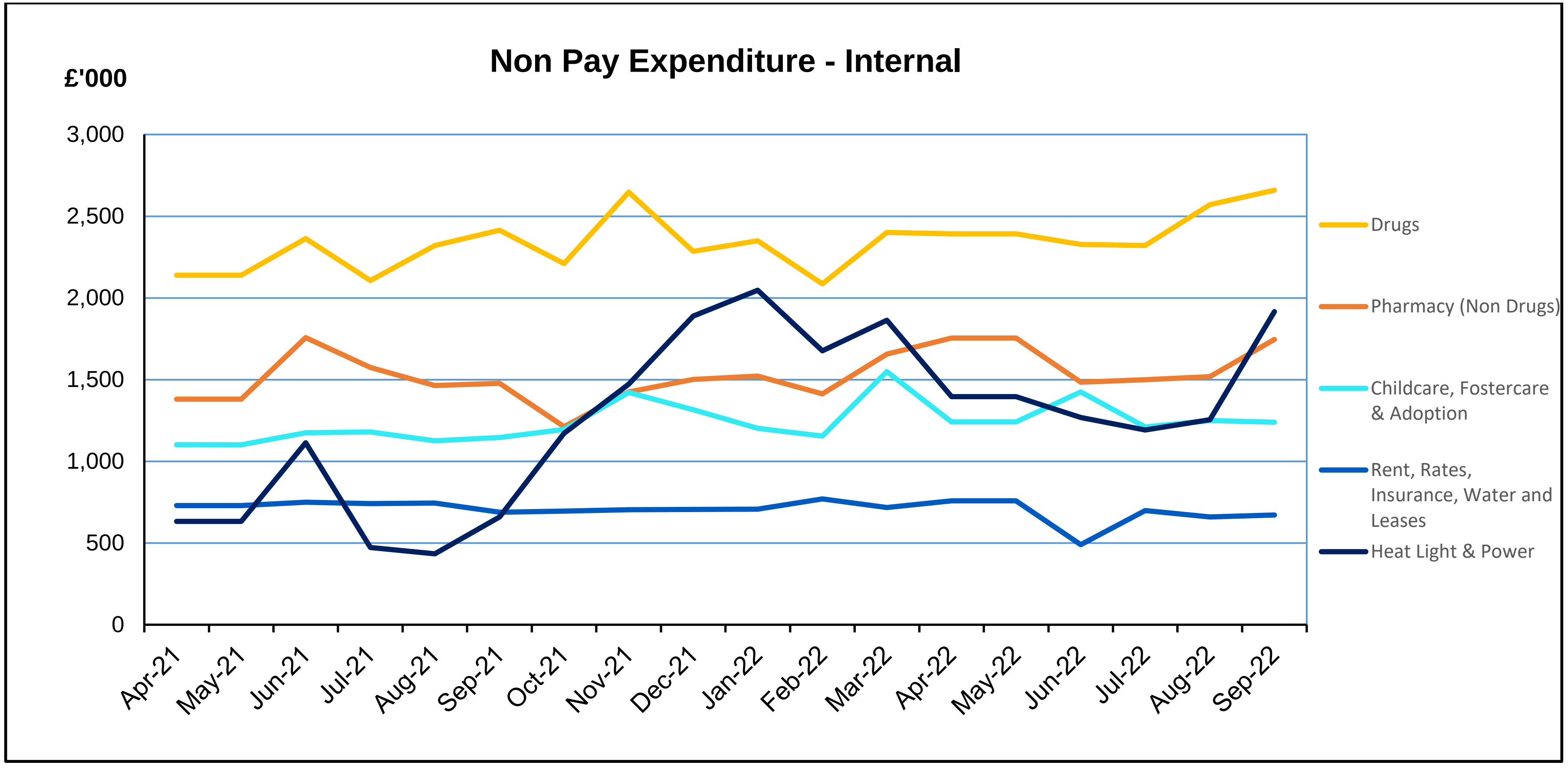
Table 7. Non Pay Expenditure – External



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.

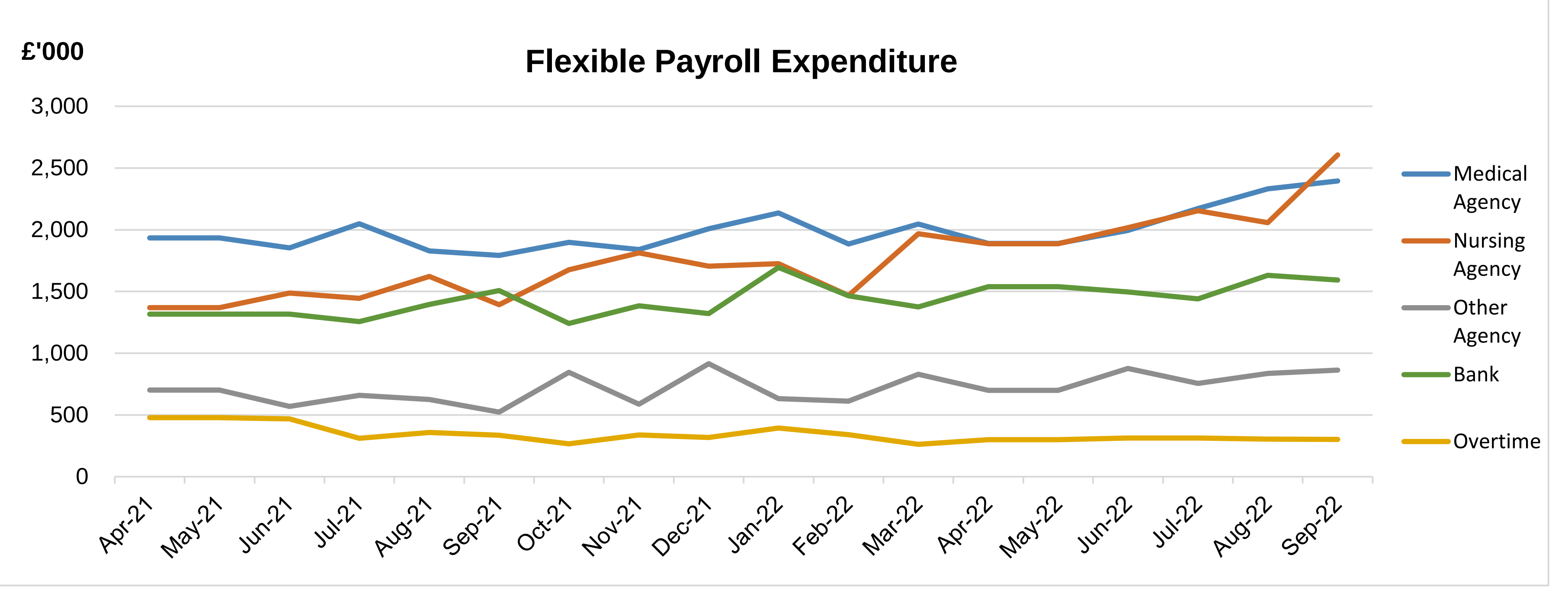
Table 8. Non Pay Expenditure - Internal



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 September is £41.1m with expenditure on Acute Services being £17.8m (43.3%).

Table 9. Total Flexible Payroll Expenditure



Total agency expenditure to date is £30.0m, which includes £12.7m (42%) on medical agency staff, £12.6m (42%) on nursing agency staffing and £4.7m (16%) on other staffing. Expenditure on bank staff over the same period is £9.2m. The average expenditure on flexible staffing for 2022/23 has increased by 15.1% on the average spend during 2021/22. Medical agency – increase of 9.2%; nursing agency – increase of 32.5%; other agency – increase of 15.4%, bank – increase of 11.4%, overtime – decrease of 15.9%.

4. Capital Expenditure

The Trust has received a total capital allocation (Capital Resource Limit) of £35.23m from the Department of Health, the table below shows the expenditure to 31st August 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 August 2022 £'000**	**Forecast Expenditure at 31 March 2023 £'000**
Altnagelvin 5.1 - Tower Block Development	4,215	1,244	4,215
Cityside HCC	4,026	468	4,026
Lisnaskea	1,341	237	1,341
ICT	2,398	569	2,398
General Capital	13,064	5,597	13,064
Backlog Maintenance	2,750	100	2,750
Invest to Save	1,033	0	1,033
MH Task & 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	**35,225**	**8,215**	**35,225**

5. Key Messages

- The Trust has completed the mid-year review of the Trust financial position taking into account confirmed allocations from SPPG in September and October. The Trust is projecting a financial deficit of £10.3m for the year.

- The Trust is reporting a financial deficit of £6.9m at 30 September 2022.

- Directors have been briefed on the detail of the key planning assumptions which contribute towards the end of year forecast position. Priority focus will be on monitoring expenditure within planned levels, actions across key overspending areas and delivery against savings targets.

- All Directorates are currently developing the savings plans for delivery against the target of £2.4m. Monitoring against plan development as well as savings achievement will commence from 1 October 2022 (month 7 report).

- The role of Trust Delivering Value Management Board to support financial objectives is currently is currently under review to ensure that its scope supports the wider financial recovery agenda to ensure alignment with current strategic requirements, taking into account ongoing projects, new opportunities and the regional focus for agency savings.

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