

SWANSEA BAY LHB FINANCE DEPT.

## PERFORMANCE & FINANCE COMMITTEE – P10 FINANCE REPORT

Period 10 Data (January 2021)



## In Month

**£ 1,895,638 overspent**

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-21,958	-21,167	790	3.60%
Pay	50,236	52,986	2,750	5.47%
Non Pay	56,104	54,459	-1,644	2.93%
<b>Total</b>	<b>84,383</b>	<b>86,278</b>	<b>1,896</b>	<b>2.25%</b>

## Cumulative

**£ 20,575,464 overspent**

Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance	COVID Funding Adjustments	Adjusted YTD Variance
Income	-228,349	-221,343	7,006	3.07%	6,182	824
Pay	490,131	500,585	10,454	2.13%	22,578	-12,124
Non Pay	557,053	560,169	3,115	0.56%	-28,760	31,875
<b>Total</b>	<b>818,835</b>	<b>839,410</b>	<b>20,575</b>	<b>2.51%</b>	<b>0</b>	<b>20,575</b>

- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast has moved significantly through the course of the financial year as COVID costs and funding sources have become more certain.
- The Health Board forecast has been held at £24.4m deficit since Month 8. In delivering a £24.4m deficit the Health Board will achieve it original planned deficit.
- The in-month position is consistent with the delivery trajectory of the £24.4m forecast deficit.

## Revenue

Financial KPIs : To ensure that net operating costs do not exceed the revenue resource limit set by Welsh Government	Value £'000	Trend
Reported in-month financial position – deficit/(surplus) – Red	1,895	↓
Reported year to date financial position – deficit/(surplus) – Red	20,275	↑
Reported year to date compared to forecast financial plan deficit – Red	63	↓
Year End Forecast surplus/(deficit) - Red	24,405	↔

## Capital

Capital KPIs: To ensure that costs do not exceed the Capital resource limit set by Welsh Government		
Current reported year end forecast – deficit/(surplus) – Forecast Red	1,467	↑
Reported in-month financial position – deficit/(surplus) – Forecast Red	(3,806)	↑

## PSPP

PSPP Target : To pay a minimum of 95% of all non NHS creditors within 30 days of receipt of goods or a valid invoice	Value %	Trend
Cumulative year to date % of invoices paid within 30 days (by number) – Forecast Red	93.25	↑

## Revenue

1. The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
2. The forecast has moved significantly through the course of the financial year as COVID costs and funding sources have become more certain.
3. The Health Board forecast has been held at £24.4m deficit since Month 8. In delivering a £24.4m deficit the Health Board will achieve it original planned deficit.
4. The in-month position is consistent with the delivery trajectory of the £24.4m forecast deficit.

## PSPP

1. The number of invoices paid within 30 days in January was again below the 95% target, with in month performance being 94.62%. This represented an improvement on December when 93.63% of invoices were paid within 30 days. The in month failure to achieve the 95% target was mainly due to delays in receipting of goods and delays in the authorisation of non purchase order related invoices.
2. The January performance has marginally increased the cumulative compliance for the year to date from 93.11% at the end of December to 93.25% at the end of January. Even if performance is significantly above 95% for the remainder of the financial year 95% cumulative compliance will not be achieved by 31<sup>st</sup> March.

## Capital

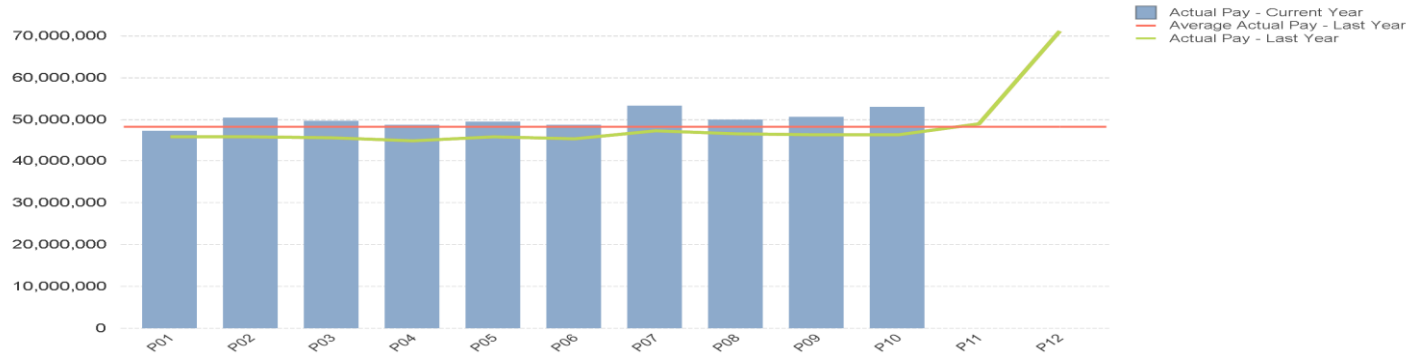
1. Approved CRL value for 20/21 issued on 03/02/21 is £44.248m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
2. Overspend to date relates to a number of schemes as detailed in the Annex.
3. There are 7 All Wales Capital schemes reported to Welsh Government as high risk. These are being closely monitored and discussed at the monthly progress meeting with Welsh Government.
4. The forecast outturn position for 20/21 is £1.467m overspent. Allocations on 5 schemes are anticipated from WG which will balance this position.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Cumulative
	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	In Month	Position
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Service Groups</b>											
Mental Health & LD	192	294	18	449	323	349	385	482	461	455	3,408
Morrison	-286	77	226	806	955	1,282	1,873	1,501	1,480	2,154	10,068
NPT & Singleton	509	779	1,203	1,140	1,551	1,014	945	1,503	1,703	1,744	12,091
PC & Community	308	93	-109	568	501	221	710	531	435	263	3,521
<b>Directorates</b>											
Board Secretary	15	21	29	27	28	30	15	29	38	26	258
Chief Operating Officer	-102	95	-60	111	98	84	171	214	132	226	969
Director of Strategy (excluding COVID)	1	8	-6	22	24	-44	8	-31	3	-18	-33
COVID	2,047	6,176	-3,314	-969	1,620	151	787	874	1,791	538	9,701
Director of Transformation	6	12	23	25	20	28	28	33	29	-43	161
Finance	5	-1	-3	7	2	-3	-58	-5	-3	-16	-75
Digital	153	218	172	-38	105	114	105	15	-303	-163	378
Medical Director	23	34	16	72	11	-78	11	14	5	10	118
Nurse Director	9	17	9	18	16	10	10	-3	52	-4	134
Workforce & OD	98	217	145	148	24	82	81	25	24	15	859
Clinical Medical School	-31	-14	-14	-15	-4	-26	10	1	-12	-42	-147
Research & Development	0	0	37	13	13	12	13	12	13	13	126
Corporate I&E	97	143	255	373	227	210	302	139	-39	201	1,908
<b>Delegated Budget Position</b>	<b>3,044</b>	<b>8,169</b>	<b>-1,373</b>	<b>2,757</b>	<b>5,514</b>	<b>3,436</b>	<b>5,396</b>	<b>5,334</b>	<b>5,809</b>	<b>5,359</b>	<b>43,445</b>
Corporate Plan	2,367	2,079	2,077	2,078	2,077	-19,303	-3,362	-3,415	-3,861	-3,474	-22,737
											0
<b>Hosted Services</b>											
Delivery Support Unit	-15	-15	-5	-35	-9	-35	-18	-8	-4	10	-134
EMRTS	0	0	0	1	0	0	0	0	0	0	1
<b>Health Board Position</b>	<b>5,396</b>	<b>10,233</b>	<b>699</b>	<b>4,801</b>	<b>7,582</b>	<b>-15,902</b>	<b>2,016</b>	<b>1,911</b>	<b>1,944</b>	<b>1,895</b>	<b>20,575</b>

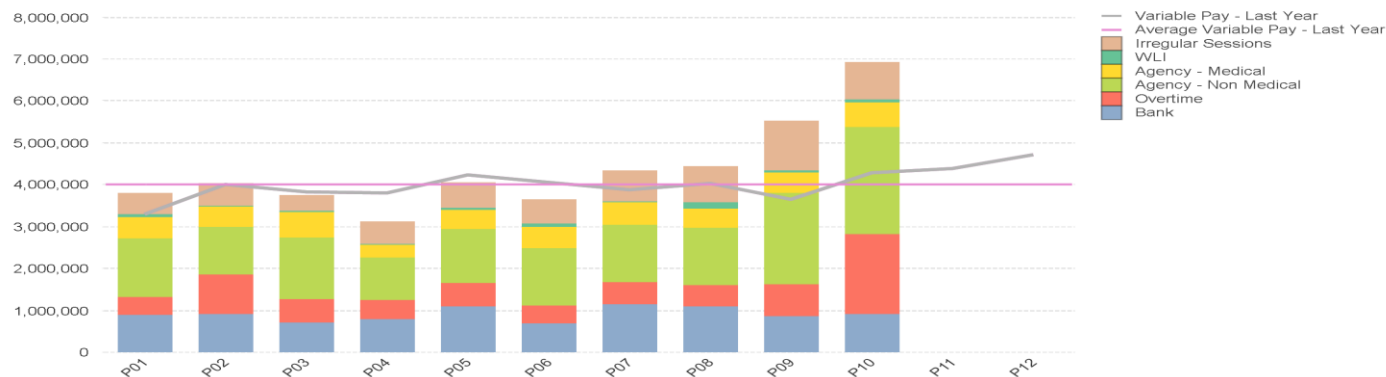
The Health Board has reported an in-month position £1.944m, resulting in a cumulative deficit of £18.680m.

The overall in-month position is aligned with the forecast position, however it must be highlighted that Month 10 workforce costs were higher than forecast but these were offset by reductions in non-pay due to reduced activity levels, lower than forecast PPE and the release of funding opportunities.

Actual Pay Expenditure This Year and Last Year



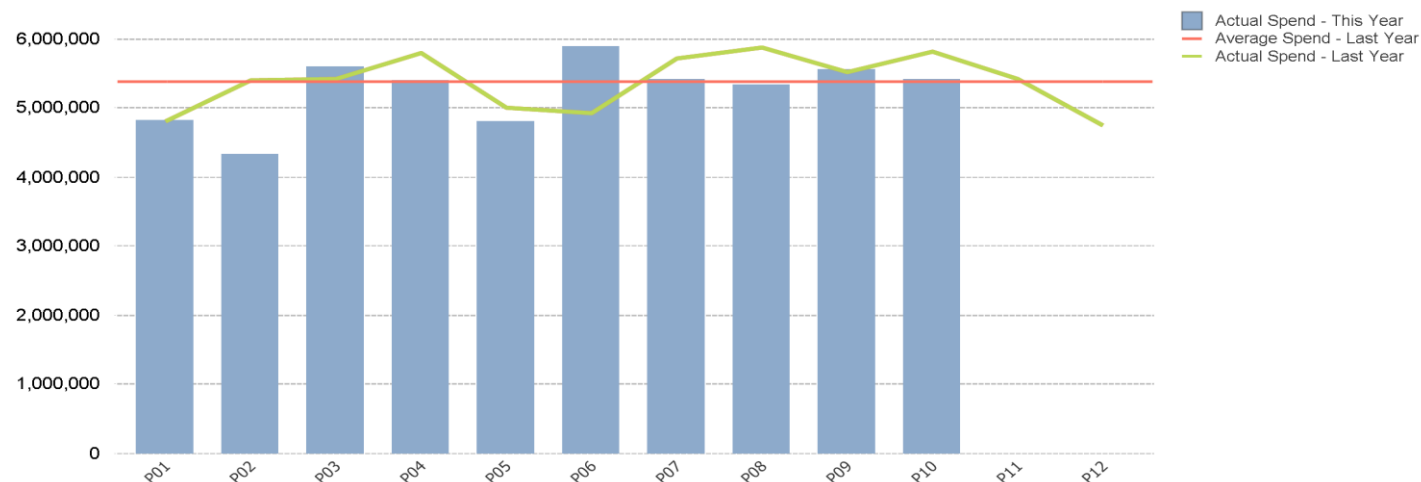
Variable Pay Expenditure This Year and Last Year



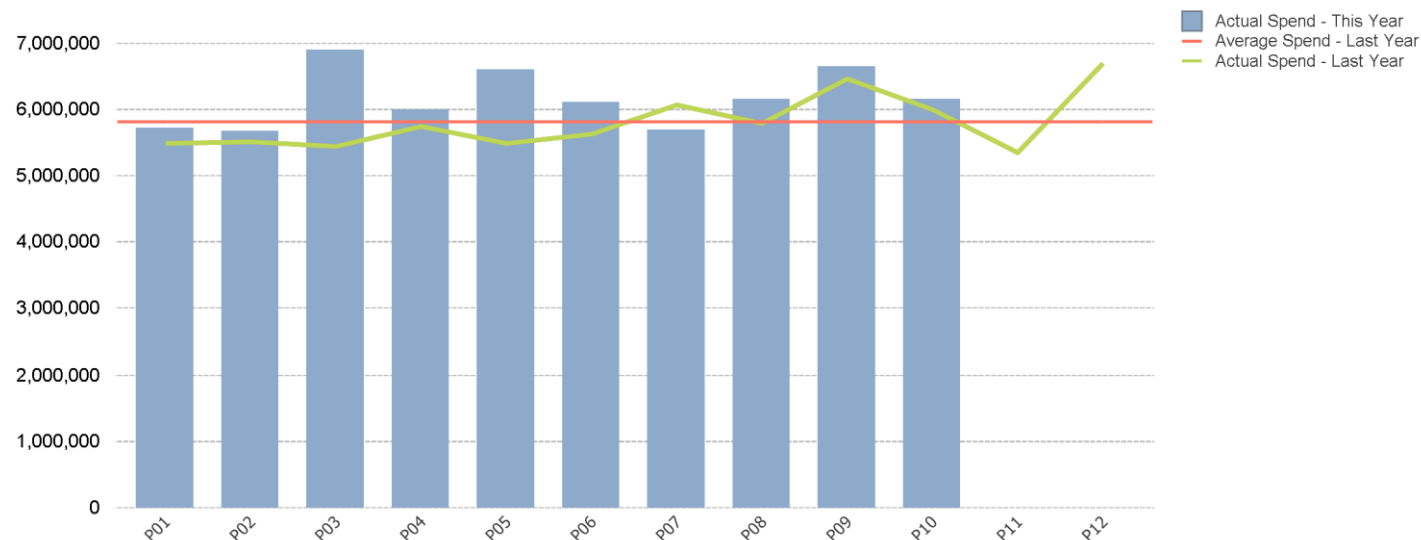
- The overall pay spend in Month 10 is around £2.3m higher than the previous month., with around £0.5m of that increase due to enhancement phasing, therefore a true increase in pay cost base of £1.8m.
- Whilst pay costs were forecast to increase, this was around £0.9m higher than forecast.
- This increase in expenditure reflects the increased level of variable pay cost in Month 10, which was around £1.6m higher than the previous months.
- The key increases in variable pay were
  - Overtime +£1.1m – significant increase in overtime costs following the application of enhanced overtime rates.
  - Nursing Agency +£0.4m increasing use of non-contract agencies
  - Medical Agency +£0.1m

	2019-20 Month 1-10 Adjusted for inflation	2020-21 Month 1-10	Increase	Increase
	£000	£000	£000	%
Additional Clinical Services	60,086	64,130	4,044	6.73%
Admin & Clerical	62,971	65,792	2,821	4.48%
Allied Health Professionals	31,217	32,681	1,464	4.69%
Estates & Ancillary	25,245	26,735	1,490	5.90%
Healthcare Scientists	14,183	14,779	596	4.20%
Medical and Dental	111,556	123,328	11,772	10.55%
Nursing and Midwifery	146,223	153,033	6,810	4.66%
Prof, Scientific and Technical	15,116	16,495	1,379	9.12%
Students	5,389	3,618	-1,771	-32.86%
<b>Total</b>	<b>471,986</b>	<b>500,591</b>	<b>28,605</b>	<b>6.06%</b>

## Secondary Care Drugs Trend Analysis

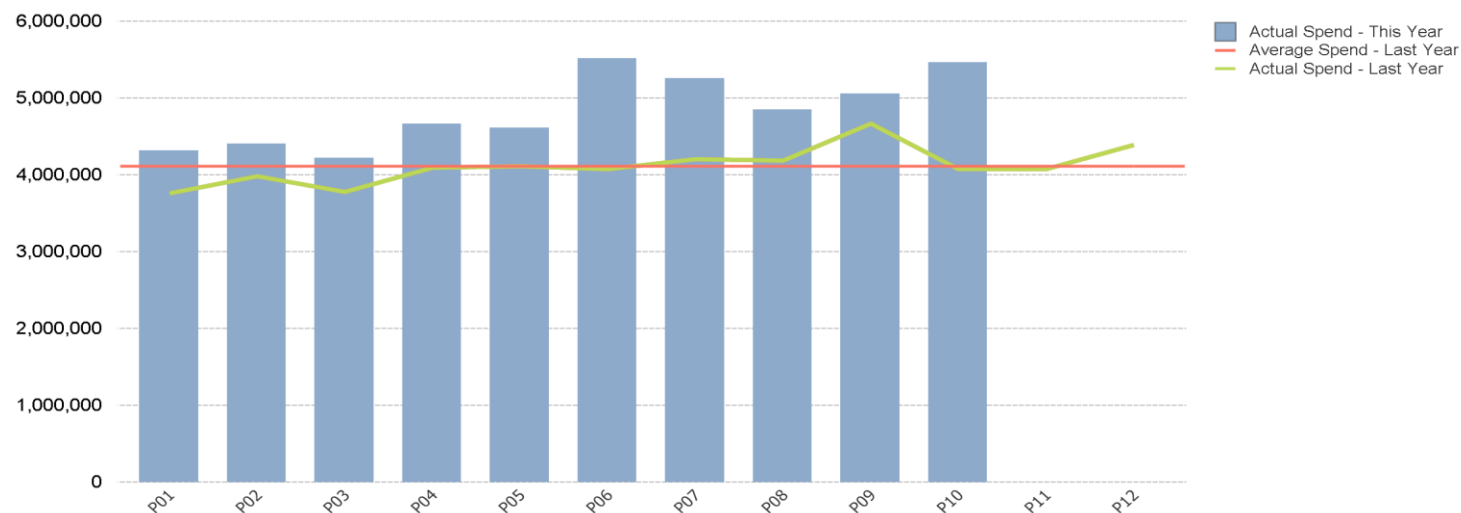


## Primary Care Drugs Trend Analysis

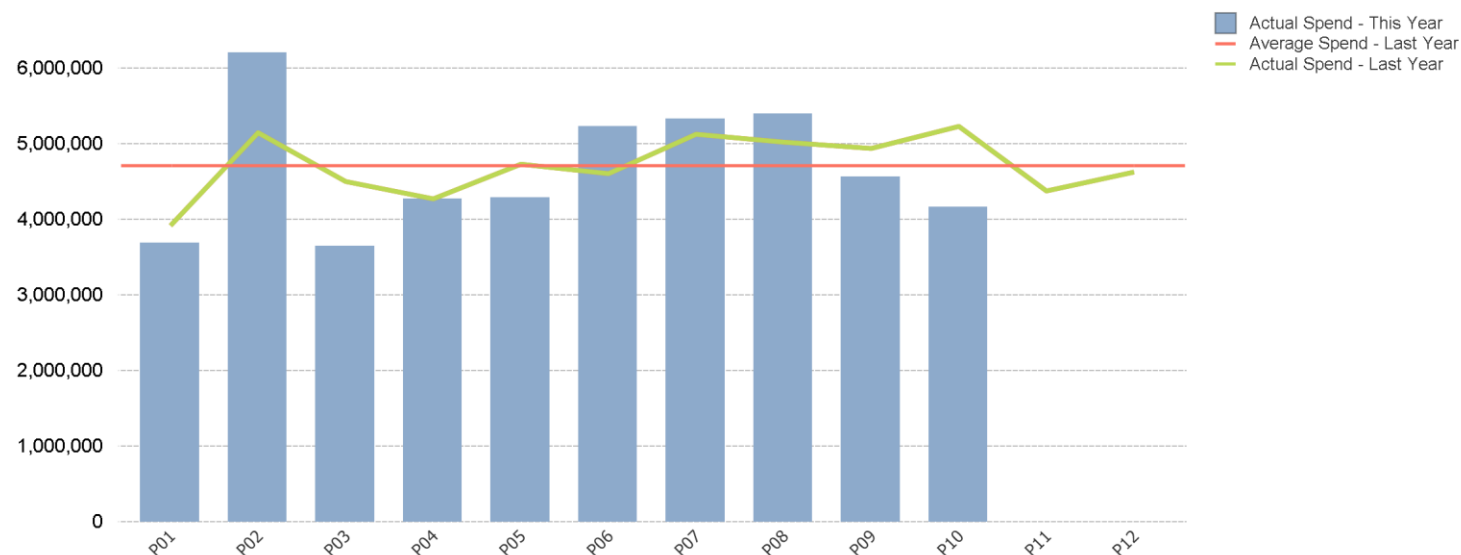


- Secondary care drugs costs have reduced slightly in January (£150k).
- The position has however been broadly stable during recent months and is below the forecast levels of growth for this year. This has been taken into account within the overall forecast
- There is an expectation of increasing costs in the final two months of the year associated with the implementation of new MS drugs, however the most significant impact will be seen in 2021/22.
- As Primary Care prescribing data has a two month reporting lag. The latest data reflects actual costs to the end of November, which are then used to forecast costs for the following two months.
- The number of items issued in November was lower than expected, however local intelligence indicates a significant increase in December.
- There is significant growth in items such as DOACs and diabetes prescribing coupled with the ongoing impact of price concessions, which are expected to continue for the rest of the financial year.

## CHC Trend Analysis



## Clinical Supplies and Services Trend Analysis (excluding Secondary Care Drugs)



- The CHC expenditure in the last few months has been skewed due to the payment of the COVID payments as per the WG agreement. This has amounted to around £2m paid over the last 5 months.
- General CHC numbers have started to show signs of reduction in recent months and this has continued in December. This is in part linked to Nursing Home pressures with many closed to admissions and the significant impact the pandemic has had on this element of the population.
- Growing pressures have however continued to be experienced on MH and LD case numbers and complexity.
- Clinical Supplies costs reduced further in January following the decision to suspend elective surgery at NPT and reductions in elective activity due to operational pressures.

# SAVINGS ANALYSIS

	Annual Plan	Forecast Annual Delivery	Forecast Slippage	Forecast Delivery	YTD Plan	YTD Delivery	YTD Slippage	YTD Delivery
	£000	£000	£000	%	£000	£000	£000	%
ChC	550	120	430	22%	484	100	384	21%
Commissioned Services	99	-	99	0%	65	-	65	0%
Medicines Management	2,084	1,041	1,043	50%	1,736	820	916	47%
Non Pay	8,003	1,553	6,450	19%	6,318	1,177	5,141	19%
Pay	12,456	3,442	9,014	28%	10,252	3,008	7,244	29%
Income Generation	248	77	171	31%	204	63	141	31%
<b>Total</b>	<b>23,440</b>	<b>6,233</b>	<b>17,207</b>	<b>27%</b>	<b>19,059</b>	<b>5,168</b>	<b>13,891</b>	<b>27%</b>

## Narrative

- The Health Board financial plan identified a requirement to deliver £23m savings.
- At the start of the financial year around £13m of plans were considered green or amber, which the remaining £10m planned but not sufficiently progressed to be considered green and amber.
- The COVID19 pandemic has clearly impacted on the delivery and development of savings.
- The current forecast delivery has increased slightly from £6.099m to £6.233m, giving slippage of £17.207m.
- The year to date position is planned savings £19.059m, actual delivery £5.168m, giving slippage of £13.891m. The actual delivery is therefore 27% of the planned delivery levels.
- Whilst the pandemic has impact significantly on savings delivery in 2020/21, it is crucial that work commences to enable savings to be identified, planned and delivered during 2021/22. The key themes and opportunities identified within the KPMG report are still relevant and provide a solid base on which plans can be developed.



- The Health Board forecast is £24.405m, this is aligned to the pre-COVID planned deficit. The Health Board remains on track to deliver this forecast.
- The key focus for forthcoming months will be :
  - Monitoring alignment to operational plan and managing deviations from the plan. The most significant variation from plan was in workforce costs and this will be an area of focus for the forthcoming weeks.
  - Developing clear efficiency opportunities to support the underlying financial position in 2021/22
  - Strengthen current Value Based Healthcare arrangements for increase profile and impact within the Health Board
  - Supporting the development of the Operational plan for 2021/22, aligning service, workforce and financial requirements
  - Maintenance of strong governance and decision making for business as usual and major incident command structures.

# 2021/22 – A FORWARD LOOK



- Draft Welsh Government budget included a 5%+ increase for Health and Social Services.
- Health and Social Service
  - £430m growth
    - £10m contract tracing
    - £35m social care and child care
    - £140m allocated in core uplift
    - £245m held centrally for wage awards, ATMPs, education and training, digital, new digital health authority, primary care contractor services.
- Mental Health, Wellbeing and Welsh Language
  - £9m for support in schools and CAMHs services
- The case is now being made to secure Covid-19 funding to support Health (TTP, mass vaccination, on going response costs). £766m WG allocation for Covid-19.



- Welsh Government Revenue Allocation letter for 2021/22 was received on 22<sup>nd</sup> December 2020.
- Initial allocation for 2021/22 to be used to develop plans to deliver against the priorities set out in the NHS Planning Framework.
- At this stage, it does not include funding to cover the ongoing response to Covid-19.
- Resource planning assumptions for Covid-19 will be issued separately.
- Subject to further Covid-19 funding, there is an expectation that the UHB will operate within the funds set out in this allocation.
- Additional funding for key priorities may be allocated as appropriate when costs are identified.

	20/21 £m	22/22 £m	Movement £m
HCHS & Prescribing Discretionary Allocation	599.76	616.924	17.164
HCHS Ring Fenced Allocation	155.395	161.11	5.715
Directed Expenditure	5.155	5.857	0.702
<b>Total HCHS and Prescribing Allocation</b>	<b>760.31</b>	<b>783.891</b>	<b>23.581</b>
GMS Contract	63.341	65.069	1.728
Community Pharmacy Contract	21.112	21.482	0.37
Dental Contract	20.422	21.476	1.054
<b>Total Revenue Resource Limit</b>	<b>865.185</b>	<b>891.918</b>	<b>26.733</b>

## Hospital and Community Health Services and Prescribing Allocation

- Overall increase allocation of £26.733m of which £12.633m relates to full year and recurrent impacts of allocations issued in 2020/21, with £14.1m net additional allocation for 2021/22.
  - £13.3m core uplift (approx. 2%)
  - Less £1m for top sliced services (paramedic bandings and 111 service)
  - £1.8m uplift for Mental Health services (approx. 2%)
- This net additional allocation for 2021/22 is £1m lower than the planned position. This is due to the £1m allocation top slice.
- This uplift includes the first 1% of 2021/22 wage award with WG funding anything above this.
- UHB allocation share has reduced from 12.97% to 12.71% (£0.2m) - details to follow
- Funding is being held centrally for NICE mandated Advanced Therapeutic Medicinal Products
- An additional £20m is being held centrally for Mental Health (UHB share £3.2m)

Primary care allocations are currently based on 2020/21 levels as contract negotiations are still ongoing.



## Health Board Approach



## WG Financial Planning Approach



- Validate and agree opening position
  - Underlying deficit and savings shortfall
- Develop strategy to at least contain in year cost pressures
  - Validate cost pressures/inflationary assessment for 2021/22
  - Allocation funding
  - Slippage on schemes
  - Technical balance sheet
  - Non recurrent opportunities
  - Savings programme
- Be clear on our service choices (continuation and new)
- Understand residual impact of COVID (service changes embedded, wash back to previous)
- COVID response itself
  - Surge
  - Field hospital
  - PPE
  - TTP
  - Vaccination
  - Recovery of performance (especially access)

- Expectation around application of financial benefits of COVID
- Treatment of underlying deficits and savings shortfalls from 2020/21
- Political context
- Ability of boards to deliver recurrent savings at scale
- Pace of service transformation (likely later years)
- BREXIT and impact on prices and labour supply
- Understanding of COVID dynamics and impact on service of admission profiles, TTP continuation, vaccination plan, recovery of access
- Availability of workforce





- The efficiency, value and savings opportunities have been assessed building on KPMG opportunities pipeline, refreshed benchmarking (based on 2019/20 baseline) and the FDU efficiency framework and tools.
- This enables the development of a savings plan which incorporates both technical and allocative efficiencies and ensures robust cost management through grip and control measures.
- The efficiency opportunities will be available for broader discussion with Management and clinical teams shortly to ensure they are delivered through the alignment of the clinical services plan and Health Board priorities.

- The development of a deliverable 2021/22 financial plan, that does not worsen the Health Boards financial position, will be dependant on :
  - Management of the underlying position, ensuring baseline costs are not allowed to escalate.
  - Management of the in-year cost pressures through the delivery of cost containment measures, grip and control and value, efficiency and savings opportunities
  - Constraining further investment choices to ensure clear benefit realisation track and alignment to key WG priorities and potential funding sources.
  - Clear assessment and recognition of ongoing impacts of the response to the pandemic, including those directly attributable such as TTP, Vaccination plan and additional capacity as well as those that are more indirect impacts such as income impacts, increased use of single use items and workforce costs.

## Next Steps

- Review the inflationary uplift assessments to identify and consider opportunities for cost control and containment.
- Identify and consider opportunities to increase recurrent savings delivery based on identified opportunities
- Clear impact assessment of increased commitments and impacts of known service model changes
- Review of cost base changes to identify residual impacts of changes to workforce, non-pay and income, which need to be considered.
- Work with operational, strategy and workforce colleagues to understand the service capacity/delivery offer within existing resources, the service demands both in-year demands and backlog, workforce and capital constraints and issues to allow clear prioritisation and assessment of risks and opportunities
- Continue discussions with Welsh Government to help develop the national case for funding support for NHS Wales with a clear narrative on the requirements for Swansea Bay therein.