

SWANSEA BAY LHB FINANCE DEPT. PERFORMANCE & FINANCE COMMITTEE – P09 FINANCE REPORT

Period 09 Data (December 2020)

In Month

£ 1,944,217 overspent

	Cur Month Budget (£'000)	Cur Month Actual (£'000)	Cur Month Variance (£'000)	% Variance
Income	-23,256	-22,935	320	1.38%
Pay	49,222	50,640	1,419	2.88%
Non Pay	55,291	55,496	205	0.37%
Total	81,257	83,201	1,944	2.39%

Cumulative

£ 18,679,825 overspent

Type	YTD Budget (£'000)	YTD Actual (£'000)	YTD Variance (£'000)	% Variance	COVID Funding Adjustments	Adjusted YTD Variance
Income	-206,392	-200,176	6,216	3.01%	-5,637	579
Pay	439,894	447,599	7,704	1.75%	-17,715	-10,011
Non Pay	500,950	505,709	4,760	0.95%	+23,352	28,112
Total	734,452	753,132	18,680	2.54%	0	18,680

- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast deficit of £26.431m reflected the Health Board £24.4m pre-COVID deficit plan plus an unplanned £2m impact of TAVI demand.
- The forecast identified that the additional costs incurred as a result of the pandemic, offsetting cost reductions due to activity restrictions and the impact on savings delivery were able to be managed within the additional WG funding allocations, agreed and anticipated.
- The forecast was reduced to £24.405m in Month 8, due to further refinement of TAVI demand and the deployment of Welsh Government (WG) funding allocations.
- **The Health Board is on track to deliver the £24.4m forecast deficit.**
- The adjusted variance highlights that there is an underlying underspend on pay. This reflects inherent vacancies within service provision. However this level of underspend would need to be maintained to support the Health Board underlying non-pay overspend.

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	1,944	↑
Reported year to date financial position – deficit/(surplus) – Red	18,680	↑
Reported year to date compared to forecast financial plan deficit – Red	376	↓
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	342	↓
Reported in-month financial position – deficit/(surplus) – Forecast Red	(2,800)	↑

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	93.11	↑

Revenue

- The Health Board established a forecast for 2020/21 through the Q3/Q4 Operational Plan.
- The forecast revised its forecast in Month 8 to reflect the costs and funding associated with the pandemic response and management and mitigation of risks and opportunities.
- The Health Board is now reporting a forecast position aligned to the £24.4m pre-COVID deficit plan.
- The Month 9 in-month position has maintained the trajectory to deliver the £24.405m year-end forecast.

PSPP

- The number of invoices paid within 30 days in December was again below the 95% target, with in month performance being 93.63%. This represented a slightly poorer performance than in November when 94.52% of invoices were paid within 30 days. December saw a further reduction in the number of nurse agency invoices paid after 30 days from 171 in November to 153 in December. The in month failure to achieve the 95% target was mainly due to delays in receipting of goods and delays in the processing of pharmacy invoices.
- The December performance has marginally increased the cumulative compliance for the year to date from 93.04% at the end of November to 93.11% at the end of December, but performance will need to be significantly above 95% for the last quarter of the financial year in order to reach 95% cumulative compliance by financial year end.

Capital

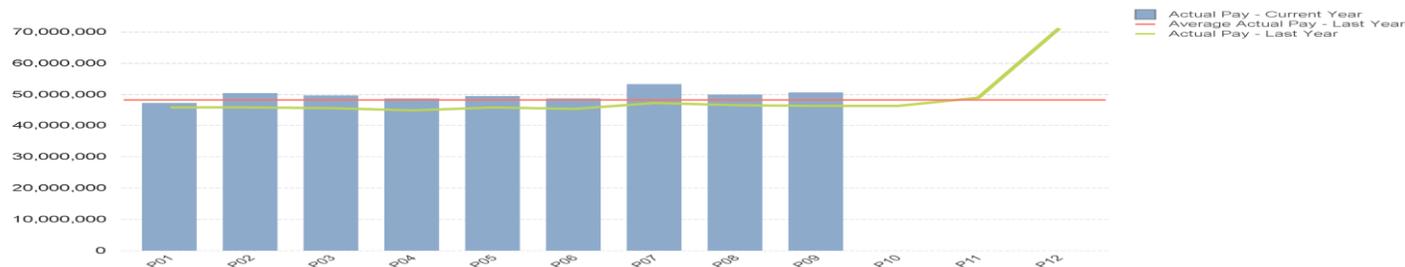
- Approved CRL value for 20/21 issued on 11/1/2021 is £40.816m which includes Discretionary Capital and the schemes under the All Wales Capital Programme.
- The underspend to date relates predominantly to discretionary schemes, which are expected to be committed by the end of the financial year.
- There are 4 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.
- The forecast outturn position for 20/21 is £0.342m overspend. There are adjustments to funding on existing schemes that are expected to neutralise this overspend position.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Cumulative
	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
Service Groups										
Mental Health & LD	192	294	18	449	323	349	385	482	461	2,953
Morrison	-286	77	226	806	955	1,282	1,873	1,501	1,480	7,914
NPT & Singleton	509	779	1,203	1,140	1,551	1,014	945	1,503	1,703	10,347
PC & Community	308	93	-109	568	501	221	710	531	435	3,258
Directorates										
Board Secretary	15	21	29	27	28	30	15	29	38	232
Chief Operating Officer	-102	95	-60	111	98	84	171	214	132	743
Director of Strategy (excluding COVID)	1	8	-6	22	24	-44	8	-31	3	-15
COVID	2,047	6,176	-3,314	-969	1,620	151	787	874	1,791	9,163
Director of Transformation	6	12	23	25	20	28	28	33	29	204
Finance	5	-1	-3	7	2	-3	-58	-5	-3	-59
Digital	153	218	172	-38	105	114	105	15	-303	541
Medical Director	23	34	16	72	11	-78	11	14	5	108
Nurse Director	9	17	9	18	16	10	10	-3	52	138
Workforce & OD	98	217	145	148	24	82	81	25	24	844
Clinical Medical School	-31	-14	-14	-15	-4	-26	10	1	-12	-105
Research & Development	0	0	37	13	13	12	13	12	13	113
Corporate I&E	97	143	255	373	227	210	302	139	-39	1,707
Delegated Budget Position										
	3,044	8,169	-1,373	2,757	5,514	3,436	5,396	5,334	5,809	38,086
Corporate Plan	2,367	2,079	2,077	2,078	2,077	-19,303	-3,362	-3,415	-3,861	-19,263
										0
Hosted Services										
Delivery Support Unit	-15	-15	-5	-35	-9	-35	-18	-8	-4	-144
EMRTS	0	0	0	1	0	0	0	0	0	1
Health Board Position										
	5,396	10,233	699	4,801	7,582	-15,902	2,016	1,911	1,944	18,680

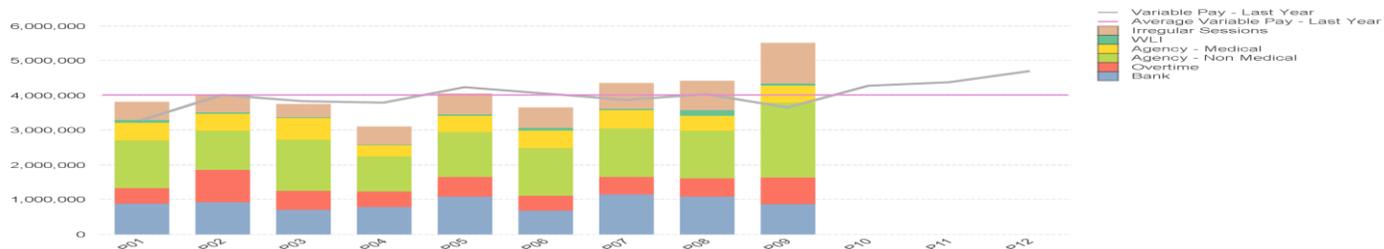
The Health Board has reported an in-month position £1.944m, resulting in a cumulative deficit of £18.680m. The overall delegated position has increased slightly in Month 9, this reflects increasing staff costs due to operational pressures.



Actual Pay Expenditure This Year and Last Year



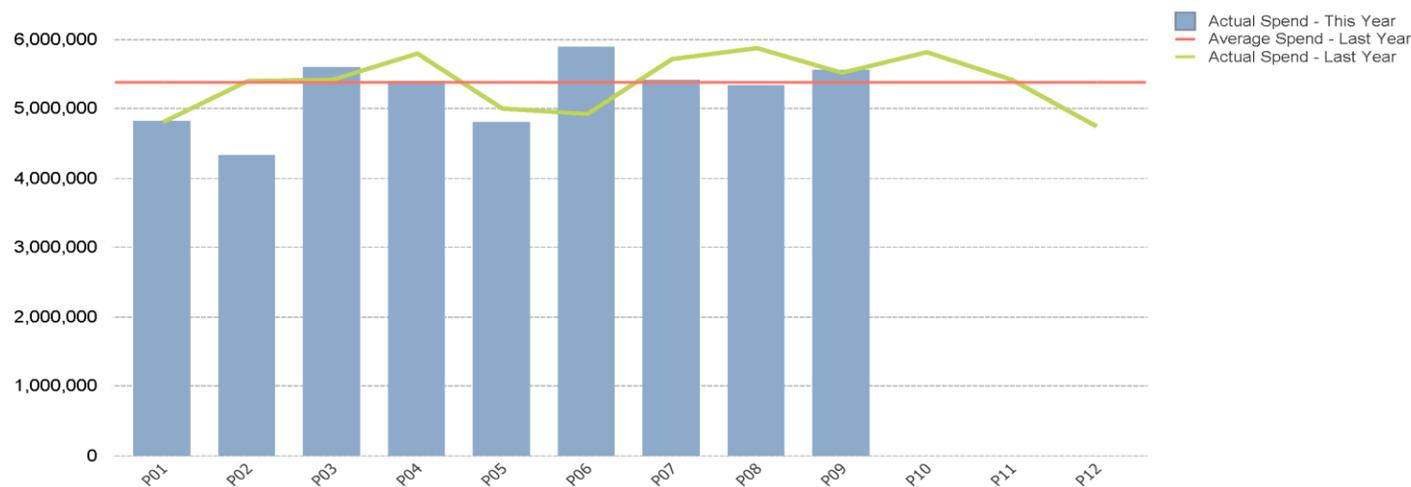
Variable Pay Expenditure This Year and Last Year



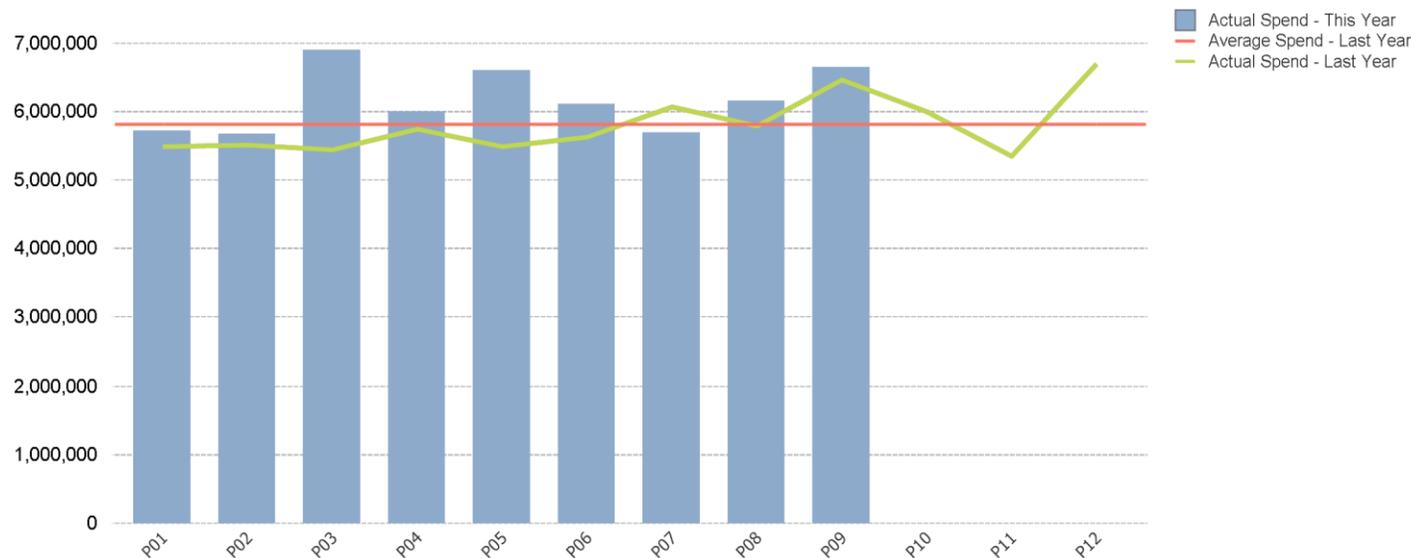
- The overall pay spend in Month 9 is around £800k higher than the previous month.
- This increase in expenditure reflects the increased level of variable pay cost in Month 9, which was around £1m higher than the previous two months.
- The key increases in variable pay were
 - a. Non-Medical Agency spend, which reflects the increasing use of non-contract registered agency in place of contract agency and HCSW agency.
 - b. Medical Session Payments related to enhanced rotas in response to the pandemic.
 - c. Overtime costs increased however this was broadly matched by a reduction in bank costs.

	2019-20 Month 1-9 Adjusted for inflation £000	2020-21 Month 1-9 £000	Increase £000	Increase %
Additional Clinical Services	53,986	57,146	3,160	5.85%
Admin & Clerical	56,763	59,047	2,284	4.02%
Aliied Health Professionals	28,061	29,348	1,287	4.59%
Estates & Ancillary	22,761	23,936	1,175	5.16%
Healthcare Scientists	12,774	13,262	488	3.82%
Medical and Dental	100,167	110,803	10,636	10.62%
Nursing and Midwifery	131,486	135,657	4,171	3.17%
Prof, Scientific and Technical	13,573	14,794	1,221	9.00%
Students	5	3,605	3,600	
Total	419,576	447,598	28,022	6.68%

Secondary Care Drugs Trend Analysis



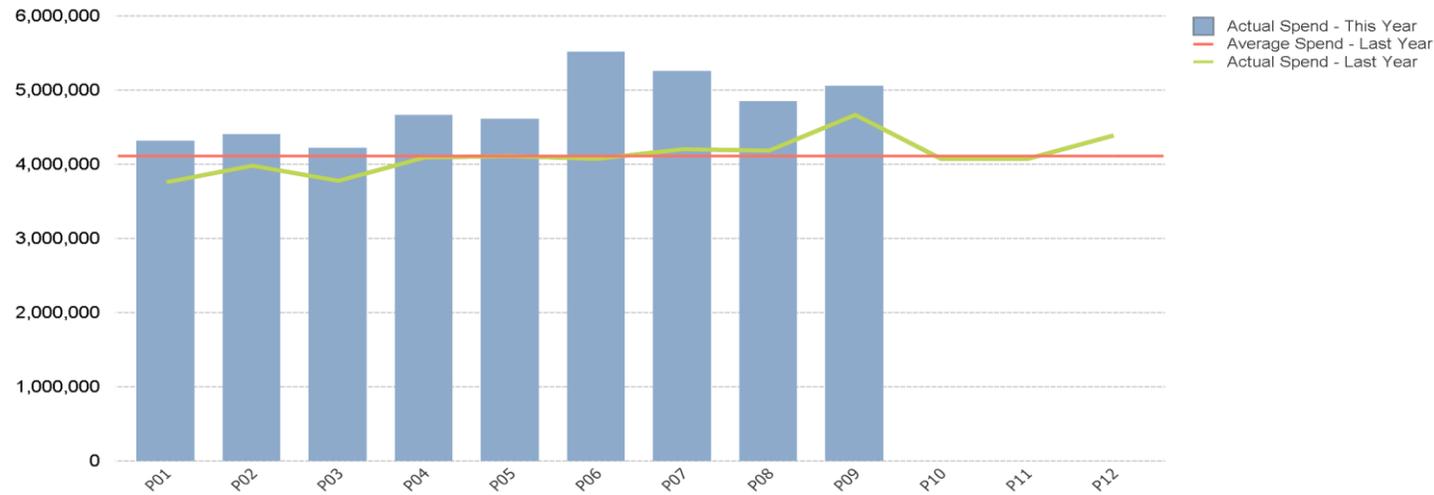
Primary Care Drugs Trend Analysis



- Secondary care drugs costs have increased slightly in December (£200k).
- However this is still below the initial forecast position due to delays in implementing some cancer and MS drugs.
- The MS drugs have required the approval of significant infrastructure to support implementation which has been committed.

- As Primary Care prescribing data has a two month reporting lag. The latest data reflects actual costs to the end of October, which are then used to forecast costs for the following two months.
- The reductions reported through Month 7 position have not been maintained, with spends reverting to the higher levels experienced earlier in the financial year.
- 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 £1.8m paid over the last 4 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 significantly in December following the decision to suspend elective surgery at NPT and reductions in elective activity due to operational pressures.

	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%	408	90	318	22%
Commissioned Services	99	-	99	0%	48	-	48	0%
Medicines Management	2,084	1,041	1,043	50%	1,562	710	852	45%
Non Pay	8,003	1,600	6,403	20%	5,290	858	4,432	16%
Pay	12,456	3,261	9,195	26%	9,827	2,798	7,029	28%
Income Generation	248	77	171	31%	182	56	126	31%
Total	23,440	6,099	17,341	26%	17,317	4,512	12,805	26%

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 £5.778m to £6.099m, giving slippage of £17.341m.
- The year to date position is planned savings £17.317m, actual delivery £4,512m, giving slippage of £12.805m. The actual delivery is therefore 26% 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.

Health Board Forecast	£m	£m
COVID Cost		132.3
Impact of COVID on savings		16.9
Total impact of COVID		149.2
Funded by :		
Welsh Government funds	-131.5	
Variable costs not incurred	-12.5	
Slippage on planned investments	-3.6	
Winter bed capacity	-1.8	
Total available to cover COVID costs		-149.4
Impact of COVID on base plan		-0.2
Base Position of the Health Board		24.6
Forecast year end (surplus)/deficit		24.4

- The Health Board financial forecast includes significant additional costs of COVID including the impact on savings delivery.
- These costs have been offset by WG funding, reductions in variable costs and slippage on planned investments.
- The overall impact is broadly balanced.
- The Health Board forecast is therefore reflective of the planned deficit position pre-COVID, with risks and pressures currently offset by mitigating opportunities.

- The Health Board cumulative financial position of £18.680m overspend is on trajectory to deliver the £24.4m year-end forecast.
- The key focus for forthcoming months will be :
 - Monitoring alignment to operational plan and managing deviations from the plan
 - 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 Services - £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 22nd 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
Total HCHS and Prescribing Allocation	760.31	783.891	23.581
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
Total Revenue Resource Limit	865.185	891.918	26.733



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 Welsh Government 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.

- 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



- **Validate and agree opening position**
 - Underlying deficit and savings shortfall
 - Re baseline service, finance and workforce to agree delivery levels within resources
- **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)

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. **This baseline work will be critical to underpinning the revised financial plan**
- 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

