



Swansea Bay University Health Board

FINANCIAL PLAN UPDATE

Board – 31st March 2022

Based on analysis 20.02.22



Purpose Paper:

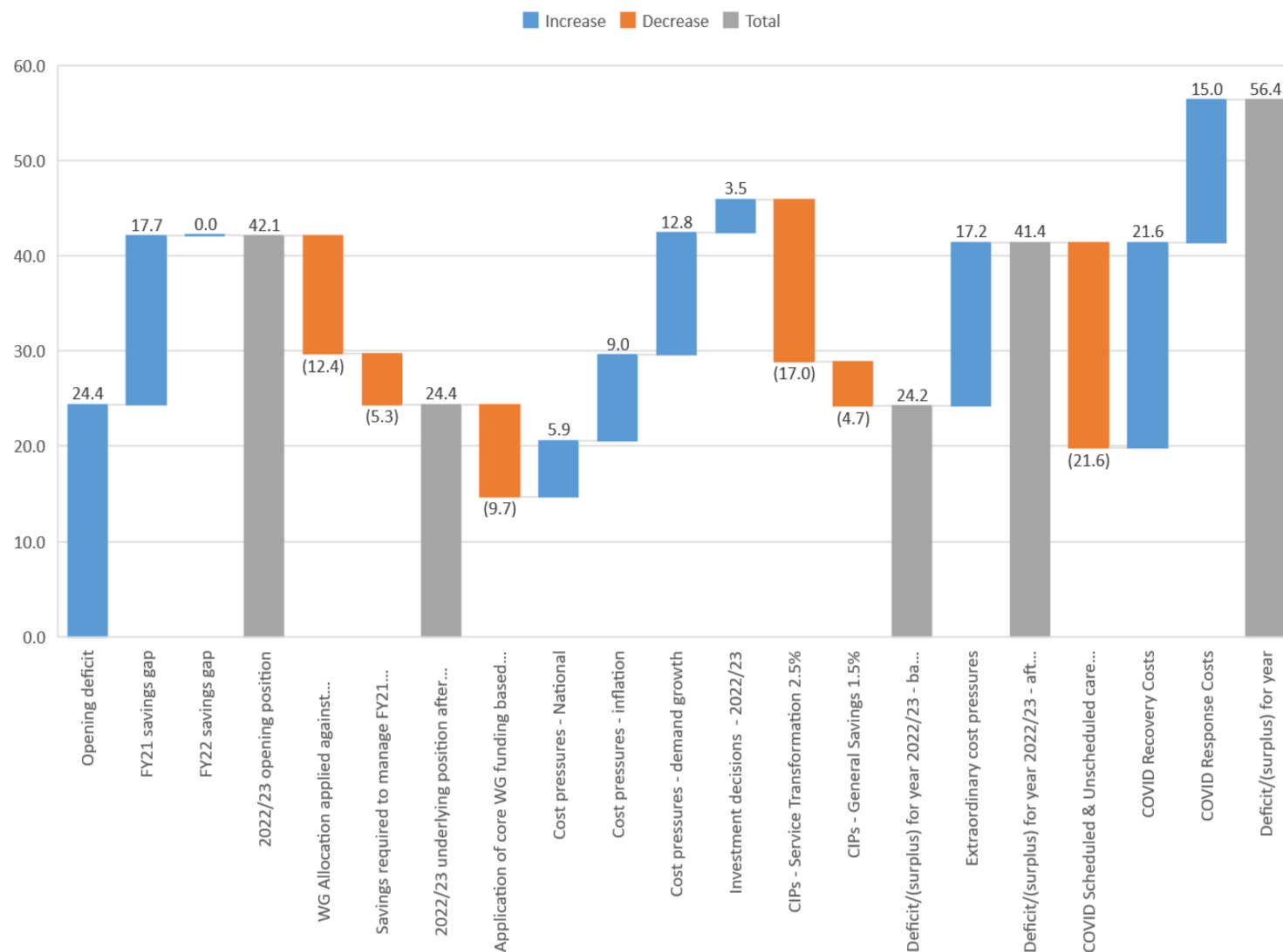
This paper provides the Board with an update on the key components within the financial plan for 2021/22

Contents:

- Reminder of initial plan 2022/23
- Updated plan 2022/23
- Movement between plans initial plan and updated plan
- Details of updated plan by component parts
- Risks and opportunities
- Three year assessment IMTP
- Further work on plan

INITIAL FINANCIAL PLAN – ALLOCATION AND COST ASSESSMENT

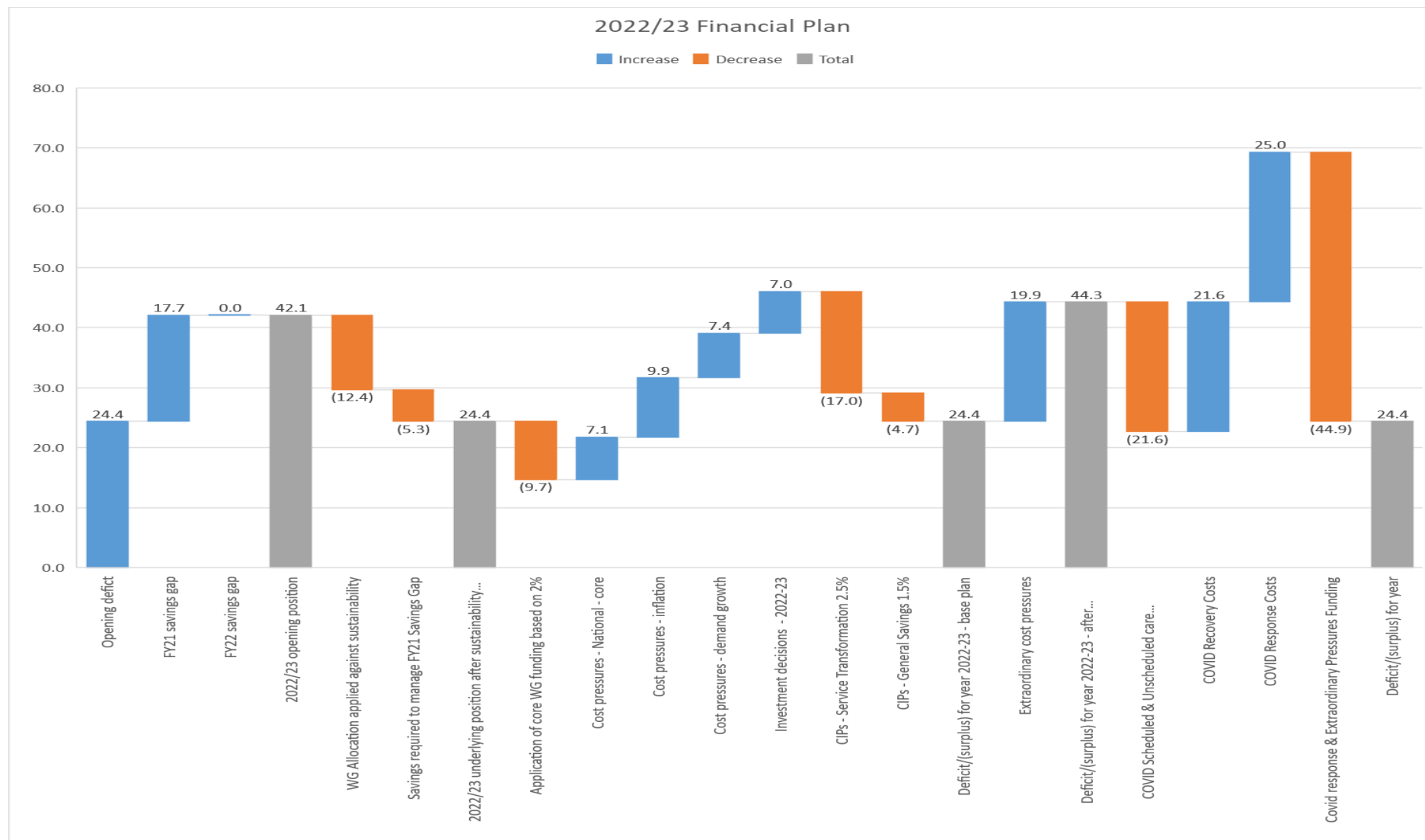
Financial Plan Allocation and Cost Assessment 2022/23



Methodology

- 2021/22 savings plan delivered in full recurrently
- Allocation above base plan applied to deficit
- First call on savings to address balance of savings deficit
- Normal level of system cost pressures included
- Investments of £3.5 (£0.5m old year £3m new)
- Overall savings programme of £27m)
- Extraordinary cost pressures £17.2m
- COVID recovery managed to funding level
- COVID response restricted to expected levels

UPDATED FINANCIAL PLAN



FINANCIAL PLANS – MOVEMENT BETWEEN PLANS

SBUHB Financial Plan 2022-23	Original Assessment	Updated Assessment	Movement
	£m	£m	£m
Opening deficit	24.4	24.4	0.0
FY21 savings gap	17.7	17.7	0.0
FY22 savings gap	0.0	0.0	0.0
2022/23 opening position	42.1	42.1	0.0
WG Allocation applied against sustainability	(12.4)	(12.4)	0.0
Savings required to manage FY21 Savings Gap	(5.3)	(5.3)	0.0
2022/23 underlying position after sustainability application	24.4	24.4	0.0
Application of core WG funding based on 2%	(9.7)	(9.7)	0.0
Cost pressures - National - core	5.9	7.1	1.2
Cost pressures - inflation	9.0	9.9	0.9
Cost pressures - demand growth	12.8	7.4	(5.4)
Investment decisions - 2022-23	3.5	7.0	3.5
CIPs - Service Transformation 2.5%	(17.0)	(17.0)	0.0
CIPs - General Savings 1.5%	(4.7)	(4.7)	0.0
Deficit/(surplus) for year 2022-23 - base plan	24.2	24.4	0.2
Extraordinary cost pressures	17.2	19.9	2.7
Deficit/(surplus) for year 2022-23 - after extraordinary pressures	41.4	44.3	2.9
COVID Scheduled & Unscheduled care Sustainability Funding	(21.6)	(21.6)	0.0
COVID Recovery Costs	21.6	21.6	0.0
COVID Transition Costs	15.0	25.0	10.0
Covid Transition & Extraordinary Pressures Funding	0.0	(44.9)	(44.9)
Deficit/(surplus) for year	56.4	24.4	(32.0)

Key movements

- National Core = Extra annual leave day costed into National pressures
- Inflation = costs increased to reflect EASC IMTP and CHC MH
- Demand growth = Non pay inflation and CHC costs reduced after moderation work
- Investment decisions = now includes overseas nursing and care home beds
- Extraordinary Cost Pressures = Real living wage assessment reduced and energy costs increased to reflect the latest British Gas estimates
- Covid Transition costs increased to £25m
- Funding – assumed level funding included based on letter from WG 14th March 2022.

National Cost Pressures - core	£000
Energy/fuel increases - core	0.3
Microsoft Licence additional contribution	1.1
Top Slice for National Programmes	0.2
WRP additional contribution	1.5
LINC/RISP - all Wales business cases	0.3
Digital Intensive Care Unit - all Wales business case	0.3
ICF	0.0
Nurse Staffing Act - Paediatrics	0.7
Nurse Staffing Act - Mental Health	0.8
Holiday Pay on Overtime - funding assumed	0.0
Additional day of annual leave	2.0
Real Living Wage - moved to extraordinary	0.0
Total	7.1

- £0.3m energy costs assessed as core with £12.3m in extraordinary pressures
- Microsoft based on proposal by Microsoft but negotiations ongoing led by DHCW
- NSA – Paeds confirmed but MH is estimate based on PYE
- Impact of changes in ICF to RIF reflected as potential risk within the Plan
- Employers NI (Health and Social Care Levy) treated as extraordinary pressure in plan
- RLW – moved to extraordinary pressure in plan
- Additional days annual leave – costs included to reflect increase of 1 day

Inflation Cost Pressures	£000
Pay Awards - WG central funding	0.0
General Non Pay Inflation	4.4
GP Prescribing	1.7
NICE FYE Impact of 21/22 approved Drugs in 22/23	2.0
Physical Health Packages of Care (CHC & FNC)	0.9
MH Packages of Care	1.6
Other CHC uplift	0.0
External Providers – WHSSC @ 2%	(0.9)
External Providers – EASC @ 2%	0.7
External Providers – Local contracts @ 2.8% - net provider so assum	(0.5)
Total	9.9

- Non pay inflation based on 3%
- Drugs/prescribing based on current estimates, with additional £1.3m included in growth. Brings total investment into GP Prescribing to £3m in 22/23.
- ChC based on a 3% core inflation with balance being shown as RLW impact.
- WHSSC benefit is net impact of commissioner and provider

Growth Cost Pressures	£000
GP Prescribing	1.3
NICE drugs - impact of 21-22	0.9
NICE drugs - horizon scan	1.5
MH Packages of Care	1.2
External Providers – WHSSC new developments	1.7
External Providers – EASC new developments	0.7
External Providers – Velindre Trust new developments	0.1
Total	7.4

- NICE = in line with current forecast
- MH CHC – recognition of growth in this area.
- Energy – based on the latest forecast provided by British Gas

National Cost Pressures - extraordinary	£000
Energy/fuel increases - extraordinary	12.3
Employers NI (Health & Social Care Levy)	6.0
Real Living Wage - Care Homes and Dom Care	1.6
Total	19.9

WG Allocation Uplift	£000
Core Uplift 2.8%	(19.6)
MH uplift 3%	(2.5)
Total Allocation Uplift	(22.1)
Sustainability & Recovery Funding	(21.6)

- WG core uplift of 2.8% to meet all cost and service pressures excluding pay award
- MH uplift needs to cover all cost and service pressures including those not directly managed by MH
- Sustainability and recovery funding notified in 2021/2

Investment Decisions/Priorities	£000
Current Commitments	
Spinal ODN	0.0
PCC MD Add Sessions	0.0
Procurement	0.1
Internal Graduate Training	0.2
MPCE REU	0.1
Cardiac GIRFT Review	0.1
Total Recurrent Commitments not in 2021/22 plan	0.5
Planned New Commitments	
Population Health	1.0
Clusters	1.0
Virtual Wards/ACT/COTE	1.0
Cancer	1.0
Pathways	1.0
VBHC funding offset	(1.4)
CF Cluster funding	(0.8)
Wellbeing team	0.3
Nurse recruitment including overseas	1.4
Carehome beds x 58 (Apr-Nov) - additional staff (TBC £0.5m)	2.0
Total Planned New Commitments	6.4
Total Investments	7.0

- £0.528m current commitments carried in from 2021/22.
- Planned minimal £5m investment programme for 2022/23 to support service transformation.
- Consideration to the utilisation of the VBHC allocation to support pathway and population health.
- Current model assumes pathways funded by VBHC and clusters carried forward from 2021/22
- Care home beds and nurse recruitment added

ONGOING COVID COSTS – NON-PROGRAMME COSTS

COVID Response	£000
Initial Underlying Position Assessment	89.7
Less:	0.0
WG Funded Programmes - PPE	(6.0)
WG Funded Programmes - Vaccination	(13.2)
WG Funded Programmes - Test	(3.5)
WG Funded Programmes - Trace	(12.5)
LTA impact	(5.0)
Social Care RLW	(2.7)
Care Home Bed Commissioning	(4.5)
Extended Flu	(1.6)
Reduced Dental impact	(0.7)
Total COVID Response Impact	40.0
Key Elements of COVID Response	£000
Cleaning Standards	2.3
ED	5.0
Theatres	0.5
ITU	1.0
Radiology	0.4
Primary Care Prescribing	5.5
Income Loss	5.0
Utilities/Waste	1.5
Digital	1.7
Demand/Surge/Patient Acuity	7.0
Workforce Resilience and Availability	8.0
Maintenance	0.3
Low Secure Placements	0.7
Dental	1.1
Total	40.0

- The Health Board has identified £89.7m of COVID costs, based on current and planned expenditure patterns.
- Changes in national guidance will materially impact on this assessment, particularly profiling
- COVID response to be included as **£25m** within draft plan. Work underway during March /early April to fully assess the Covid Transition cost for all areas of the Health board.
- The initial considered approach would be to constrain response to £25m (primary care prescribing, demand/surge, patient streaming).
- Following WG letter 14th March it is assumed within the plan that Covid Transition will be supported by WG in 2022/23.

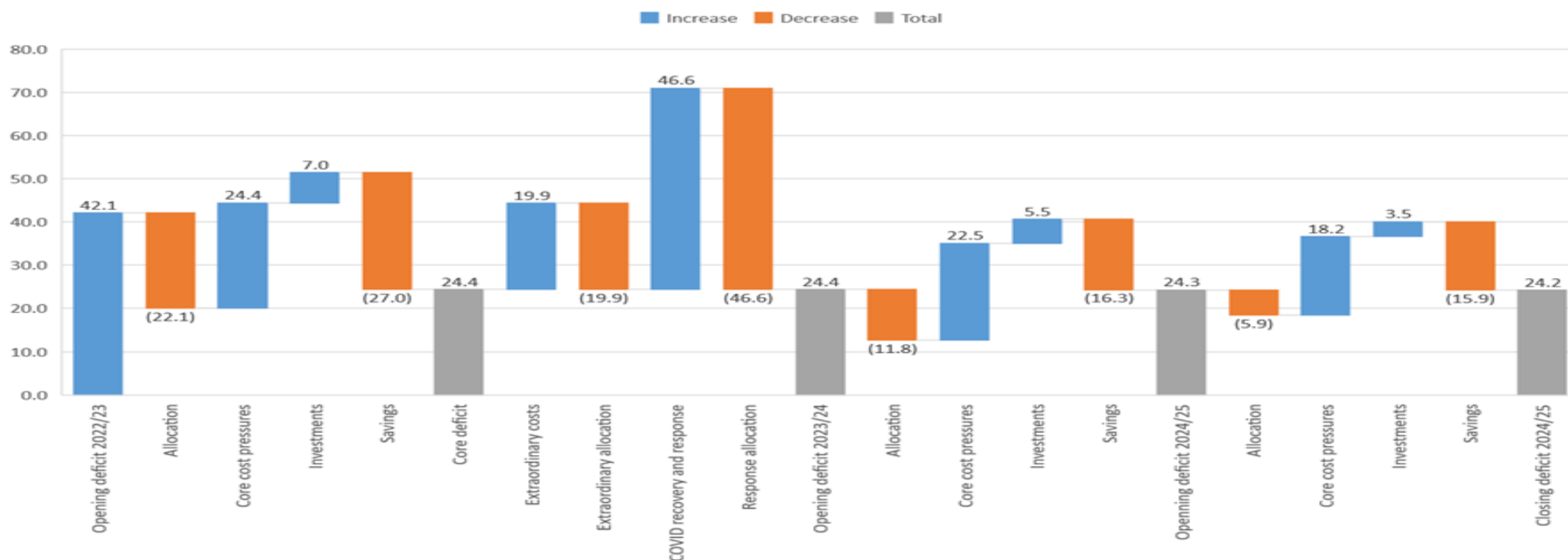
		22/23	23/24
Committed	Endoscopy	244,706	244,706
	Radiology	823,598	1,627,434
	Path	810,391	1,086,501
	Other Diag	148,750	165,000
	Refractionation	800,000	800,000
	UGI / Pancreatic	752,000	752,000
	Beds	2,797,204	2,797,204
	Infrastructure	526,649	526,649
	WHSSC	338,000	338,000
	Anaesthetists	770,000	1,540,000
	Advanced Cataracts	567,155	567,155
Total		8,578,453	10,444,649
Other Priorities Recurring	Singleton Cataracts	1,291,478	1,901,970
	NPT Theatres	3,365,000	19,460,000
	CTM Theatres NPT	381,389	762,778
	Radiology	780,000	1,040,000
	Further Pathology Sust	809,734	976,999
	Other Diagnostics	265,951	354,601
	Critical Care	243,750	466,000
	Glaucoma	443,000	319,000
	Primary Care	475,120	850,240
Total		8,055,422	26,131,588
Non Recurring	Endoscopy	2,456,313	
	Radiology	1,542,800	
	Other Diag	64,448	
	In/Outsourcing WLI	4,416,000	
Total	Total	8,479,560	-
Other Funding		- 1,518,870	- 2,116,240
Total		23,594,564	34,459,997
Funding		- 21,600,000	- 21,600,000
Shortfall		1,994,564	12,859,997

- Plan broadly balanced in 2022/23
- Recovery funding must be directed to specific areas:
 -
 - Planned care
 - Cancer
 - Diagnostics
 - Endoscopy
 - Critical Care
- Recurrent impact of NPTH modular theatres put pressure on 2023/24
- Further review of the recurrent choices to be made in 2022/23 will be critical

Risks and Opportunities	£m
Assessed Deficit/(surplus) for year	24.4
LTA 'Go Live' with 10% tolerance	7.2
Demand Growth able to be reduced by 25%	-3.2
Slippage on planned investments	-3.0
Savings Delivery above 2.5% not able to be delivered	10.0
Learnig Disability Commissioing Arrangements	1.1
WAST Transition Plan Full Year Impact	1.6
CTM SLA disag	1.0
Net Impact ALN	0.3
Service Group Cost Pressures excluding Covid Response	3.0
Digital Service cost pressures linked to SLA	1.2
ICF / RIF	0.5
Childrens Services response	0.8
COVID Recovery not able to be constrained within funding	9.1
Deficit/(surplus) for year Including Risks	54.0

	22-23 £m	23-24 £m	24-25 £m
Opening position - deficit/(surplus)	42.1	24.4	24.3
Anticipated increase in WG allocations	(22.1)	(11.8)	(5.9)
Cost pressures - National - core	7.1	6.5	5.0
Cost pressures - inflation	9.9	8.5	6.5
Cost pressures - demand growth	7.4	7.4	6.7
Investment decisions	7.0	5.5	3.5
CIPs required against FY21 savings gap	(5.3)	0.0	0.0
CIPs - transformation	(17.0)	(12.8)	(12.8)
CIPs - general	(4.7)	(3.5)	(3.1)
Extraordinary national cost pressures	19.9	(3.0)	(5.0)
Deficit/(surplus) for year before COVID	44.3	21.3	19.2
Covid expenditure	£m	£m	£m
Covid funding	(21.6)	0.0	0.0
Covid recovery costs	21.6	0.0	0.0
Covid transition costs	25.0	(10.0)	(15.0)
Deficit/(surplus) for year after COVID	69.3	11.3	4.2
Funding Assumption Extraordinary Pressures & Covid	£m	£m	£m
Covid transition funding	(25.0)	10.0	15.0
Covid recovery costs	(19.9)	3.0	5.0
Deficit/(surplus) for year after Additional Funding	24.4	24.3	24.2

Draft Three Year Plan Financial Framework



The Chart above condenses the detail in the plan but shows how a balanced three year plan is delivered, recognising that this remains a deficit plan. Key planning assumptions are: -

- Wage award continues to be funded centrally
- Extraordinary cost pressures will be funded in direct relation to changes in key drivers, principally energy prices
- COVID response costs whether national or local will be funded subject to rigorous test and challenge and meeting of guidelines set out by Welsh Government and Finance Delivery Unit
- Inflationary pressures on the core plan will reduce over the three years but any variation from this plan will be met from adjustment of the savings and investment choices to balance.

- Financial plan revised following receipt of WG letter dated 14th March outlining the assumption to be made regarding Covid Transition and Extraordinary Pressures
- Cost assessments check and moderate nationally
- Formal review by WG of initial plan well received and approach now being adopted nationally
- Further work needed on COVID transition with scrutiny being provided by CEO and DOF
- Capital not included in this update as proposed balance presented to Management Board and included in final IMTP document
- Continue direct and transparent discussions with WG