

# Non-pay £4m 2019-20 programme

SWBH NHS Trust

# 1819 performance

- As of the end of November, the TPRS planned PYE of Non-pay schemes for 1819 stood at £12.742m (FYE £13.793m)
- The forecast delivery against the above stood at £8.322m (of the £28.155m forecast to deliver out of total plans of £34.6m)
- This paper assumes that any non-delivery in 1819 is made good through normalisation improvement.

# Headline Issues

- Procurement – target £2.7m – forecast £324k
- “Just stop” – target £1.091m – forecast £161k (external consultancy only)
- Asset lives – target £2.875m – forecast £2.875m on TPRS
- W&CH Pathways – target £2m – forecast £2m – not yet delivered, £1m non-recurrent
- It has been considered that we could ask the schemes that have not delivered to do so in 1920. The total of schemes listed below totals £1.075m

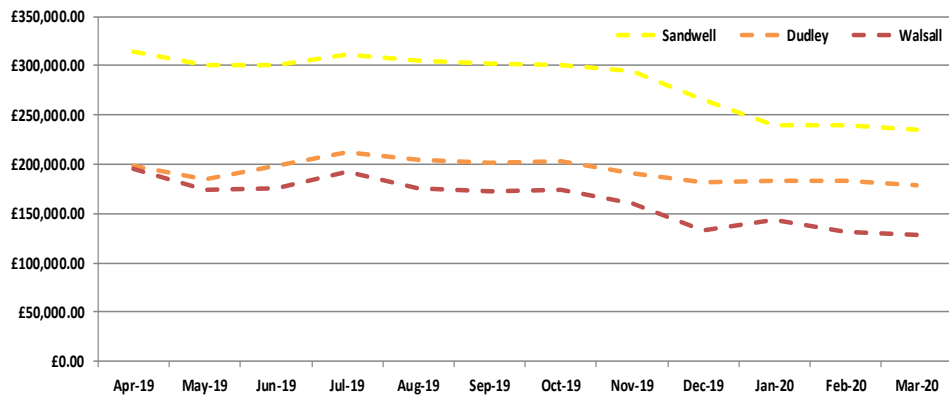
| Group Directorate                     | Project Description           | Pay NonPay | PYE    | FYE    | FORECAST | VARIANCE |
|---------------------------------------|-------------------------------|------------|--------|--------|----------|----------|
| Estates and New Hospital Project      | MES Contract Savings          | NonPay     | 120000 | 120000 | 30000    | -90000   |
| Estates and New Hospital Project      | Stock Rationalisation Project | NonPay     | 20000  | 20000  | 20000    | 0        |
| Imaging                               | Breast Screening Needle       | NonPay     | 18000  | 18000  | 9000     | -9000    |
| Medical Directors Office              | Informatics Reduce Non-Pay    | NonPay     | 152000 | 152000 | 88665    | -63335   |
| Operations                            | Medical records / case note   | NonPay     | 50000  | 0      | 0        | -50000   |
| Operations                            | Pharmacy OP outsource         | NonPay     | 50000  | 300000 | 0        | -50000   |
| Operations                            | Gainssharing                  | NonPay     | 160000 | 160000 | 40000    | -120000  |
| Primary Care, Community and Therapies | Reduction in property costs   | NonPay     | 100000 | 100000 | 24999    | -75001   |
| Strategy and Governance               | CNST Refund                   | NonPay     | 618000 | 618000 | 0        | -618000  |

# Procurement - 1920

## BCA Savings Summary

|                                       | 19/20                | 19/20        | 19/20                | 19/20                | NHSSC FUNDING MODEL IMPACT     |                                      |                                       |   |                                     |                        |
|---------------------------------------|----------------------|--------------|----------------------|----------------------|--------------------------------|--------------------------------------|---------------------------------------|---|-------------------------------------|------------------------|
|                                       | Outturn              | Target       | Carry Forward        | In Year 19/20        | Margin (Direct) 18/19 forecast | Margin (Subsidiaries) 18/19 forecast | Margin share (Capital) 18/19 forecast | Margin share (Consumables) 18/19 forecast | Margin share (Non Topsliced Trusts) | Savings 19/20 forecast |
| Sandwell & West Birmingham Hospitals  | £3,410,974.09        | TBC          | £730,133.31          | £607,840.74          | £868,904.04                    | £0.00                                | £141,475.96                           | £126,867.00                               | £129,618.00                         | £806,135.04            |
| The Dudley Group NHS Foundation Trust | £2,319,332.13        | TBC          | £289,441.29          | £660,602.88          | £436,209.00                    | £0.00                                | £108,363.96                           | £97,173.96                                | £99,281.04                          | £628,260.00            |
| Walsall Healthcare NHS Trust          | £1,954,102.38        | TBC          | £491,829.50          | £227,513.97          | £582,270.96                    | £0.00                                | £76,735.04                            | £68,739.96                                | £70,230.00                          | £436,782.96            |
|                                       | <b>£7,684,408.60</b> | <b>£0.00</b> | <b>£1,511,404.10</b> | <b>£1,495,957.58</b> |                                |                                      |                                       |   |                                     |                        |

### Trust Run Rate



|                    | Apr-19      | May-19      | Jun-19      | Jul-19      | Aug-19      | Sep-19      | Oct-19      | Nov-19      | Dec-19      | Jan-20      | Feb-20      | Mar-20      | Total         |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|
| Sandwell           | £314,479.75 | £301,270.42 | £300,404.36 | £311,791.20 | £305,777.51 | £302,221.87 | £301,118.72 | £294,224.98 | £265,865.33 | £239,598.70 | £239,429.50 | £234,791.75 | £3,410,974.09 |
| Dudley             | £198,699.08 | £184,443.93 | £198,514.21 | £211,633.67 | £204,940.46 | £201,448.89 | £202,572.53 | £190,078.41 | £182,329.13 | £182,714.32 | £182,657.61 | £179,299.90 | £2,319,332.13 |
| Walsall            | £194,742.39 | £174,399.48 | £176,258.07 | £191,603.68 | £176,000.60 | £172,058.51 | £173,266.79 | £159,874.51 | £132,647.02 | £143,386.58 | £131,863.82 | £128,000.91 | £1,954,102.38 |
| Forecast Total BCA | £707,921.22 | £660,113.83 | £675,176.64 | £715,028.54 | £686,718.58 | £675,729.28 | £676,958.04 | £644,177.90 | £580,841.48 | £565,699.60 | £553,950.93 | £542,092.56 | £7,684,408.60 |
| Target - £x.xM     |             |             |             |             |             |             |             |             |             |             |             |             | £0.00         |
| Difference         | £707,921.22 | £660,113.83 | £675,176.64 | £715,028.54 | £686,718.58 | £675,729.28 | £676,958.04 | £644,177.90 | £580,841.48 | £565,699.60 | £553,950.93 | £542,092.56 | £7,684,408.60 |

# Procurement cont'd

- The previous slide suggests savings of £1.33m for 1920, in addition to expected NHSSC savings of £2.073m, total £3.411m savings.
- Note that the £2.073m of NHSSC savings includes capital (£141k) and is to be funded by a reduction in income to the Trust (method and amount TBC)
- If we assume nil net impact of NHSSC, of the £1.33m of BCA savings, £730k is the continuation of savings identified in 1819, £608k is new.
- We need to confirm to what extent the £730k is accounted for in the outturn 1819 position, to be able to count it against the £4m 1920 non-pay target.
- Best case – target proposed of £1.5m

# Pharmacy

- There were 6 schemes identified in 1819 that could generate savings for Pharmacy.
  - Biosimilars and how we get a recurrent saving from that
  - Outsourcing outpatients (part year effect (£50k) already included on TPRS for 18/19)
  - Model Hospital – plan to comply or explain why not
  - BCH model on specials
  - Managed service on fluids
  - Bulk buying / procurement
  - Patients own drugs (£75k included in TPRS tactical schemes) – over-delivered in 1819

# Pharmacy

| Group                  | Directorate | Project Description           | Pay<br>NonPay | PYE    | FYE    | FORECAST | VARIANCE |
|------------------------|-------------|-------------------------------|---------------|--------|--------|----------|----------|
| Operations             |             | Pharmacy OP outsource         | NonPay        | 50000  | 300000 | 0        | -50000   |
| Operations             |             | Patients Own Drugs            | NonPay        | 75000  | 75000  | 152935   | 77935    |
| Operations             |             | Generic Drugs Savings Jul/Nov | NonPay        | 10300  | 25000  | 10302    | 2        |
| Operations             |             | Gainsharing                   | NonPay        | 160000 | 160000 | 40000    | -120000  |
| Women and Child Health |             | Review of Maternity Drug      | NonPay        | 9000   | 9000   | 2004     | -6996    |
| Women and Child Health |             | Change supply of TPN -        | NonPay        | 20004  | 20004  | 22267    | 2263     |
| Women and Child Health |             | Review of Gynae Drug          | NonPay        | 51396  | 51396  | 16491    | -34905   |
| Women and Child Health |             | Review of Paeds Drug Savings  | NonPay        | 6248   | 6248   | 5201.98  | -1046.02 |

- Reinstate plan to outsource and realise VAT savings - £250k
- Gain share recovery on previous slide (already counted)
- Further opportunities to be identified

# Grip and Control

- There is no evidence that the Trust has realised any grip and control savings opportunities during 1819. This has been impacted by the implementation of the Oracle Cloud system
- Review and rationalise current authorisation hierarchies
- Provide budget holder targeted finance training
- Establish triangulation reporting to address control issues (targeting poor match ratios) – in the month of October, of £9.4m invoices paid, only £4.1m were matched to an order
- Agree process to reduce the number of single tender waivers in the Trust



# Further opportunity?

| Influencible       |                                  | Y |                      |                   |
|--------------------|----------------------------------|---|----------------------|-------------------|
|                    |                                  |   | Sum of Annual Budget | Sum of YTD Actual |
| 200                | Drugs and Blood Products         |   | -6,955               | -3,912            |
| 220                | Energy and Utilities             |   | -5,574               | -3,528            |
| 230                | Hotel Service Costs              |   | -4,354               | -2,699            |
| 250                | Postage, Printing and Stationery |   | -2,892               | -1,860            |
| 266                | Facilities Related Costs         |   | -3,040               | -2,128            |
| 270                | Other Costs                      |   | -6,327               | -2,988            |
| 277                | Recharges                        |   | -3                   | 0                 |
| <b>Grand Total</b> |                                  |   | <b>-29,145</b>       | <b>-17,115</b>    |

- £29m to review further – caution – Miscellaneous contains TR expenditure accrual
- Confirm impact of whether within Forecast/Normalised Outturn
- Confirm extent to which £29m influencable spend
- Procurement to confirm how much of the 1819 and 1920 work plan is within the influencable spend
- GSFM view of directorate opportunity

# Risks

- It is clear that there is opportunity in the Trust to improve non-pay savings delivery, and improve Grip and Control to identify £4m of savings, from a forecast outturn of spend for 1819 of £157.294m, accepting that not all of that will be influencable. The Trust is in the highest quartile for non-pay expenditure according to Model Hospital.
- The main risk to delivery is the capacity within the organisation to give this programme the focus it needs to be successful. During 1819, delivery on grip and control has been hampered by implementation of the new system. The ability of the procurement team to input into non-pay savings has been limited by their focus on the procurement savings workplan delivery.
- The Trust will need to consider how to resource the programme effectively to assist delivery.

# Proposal – current status

- Require 1819 schemes to deliver - £1m
- Procurement new savings - £1.5m
- Pharmacy – propose target £0.5m
- Grip and Control £0.5m
- CNST rebate £680k
- Asset Lives 1819 surplus £300k

# Further Opportunities

- VAT – TBC
  - Review existing plans and seek to accelerate or stretch
  - Develop tax profile for the Trust focusing on the areas of savings and cash that can be secured immediately
  - Identify options to optimise the VAT position including potential application of HMRC rulings for NHS bodies. Example areas of review include:
    - Procurement supply chain
    - IT focused reviews
    - Targeted expenditure reviews based on new rulings
    - Property and estates services
- Technical – TBC
  - Review existing plans and seek to accelerate or stretch
  - Bring accounting policies and treatment in line with peers and accounting standards
  - Asset lives and capitalisation
  - Provisions and bad debts
  - Depreciation and accruals policies
  - Understand asset refresh policy, sale/leaseback options and disposals
  - Review cash management processes and identify options to sustainably generate cash to minimise PDC and interest costs
- Commercial – TBC
  - Options considered here previously involved IT outsourcing and car parking proposals. It is recommended that a workstream be established through the Strategic Planning team to identify and take opportunities forward
- Other Rapid Actions
  - Identify alternative income sources: rebates, commercial,
  - SLA and other contracts review
  - Review of capital plans and identify options to improve I&E
  - Review discretionary spend to achieve >20% cost reductions
  - Licenses review to identify areas to reduce expenditure and challenge requirements/value

# Actions

1. Confirm potential for 1718 schemes not delivered to be delivered in 1819.
2. Require Pharmacy, Estates and IT scheme development by the end of Jan 19.
3. Review upside in planning assumptions and any over-delivery in 1718 that could contribute to the 1920 ask (CNST, Asset lives).
4. Confirm procurement target, the extent to which carry over has been accounted for in 1819-1920 rollover budgets, and cost of national procurement savings.
5. Develop Grip and Control project.
6. Review £29m for further opportunity.
7. Develop a plan to resource the project to assist with delivery.
8. Review technical, VAT, commercial and other opportunities in detail for new schemes.
9. Plan to be presented to Jan FIC.