



PWYLLGOR ADNODDAU CYNALIADWY SUSTAINABLE RESOURCES COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	25 April 2023
TEITL YR ADRODDIAD: TITLE OF REPORT:	Long Term Agreement (LTA) Outlook 2023/24
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Daniel Binding, Senior Finance Business Partner Planned Care and Contracting Shaun Ayres, Deputy Director of Operational Planning and Commissioning

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

Long-Term Agreements (LTAs) during 2022/23 were subject to a hybrid arrangement between Health Boards in Wales having first been agreed and ratified via the Directors of Finance (DOF) forum. The commissioning arrangement has now been ratified for 2023/24 following the DOFs meeting in March 2023.

In accordance with the Welsh Government (WG) Allocation letter regarding uplift funding for 2023/24, an uplift of 1.5% has been applied. Health Boards will pass on the commissioner share of the Pay Award funding once confirmed by WG.

The purpose of this report is to summarise for the Committee the impact of the overall 1.5% uplift plus Investments contained within the LTAs.

Cefndir / Background

The table below sets out the 2023/24 LTA contract values for expenditure:

Expenditure LTA Contract Values

Health Board	Description	Annual Value 23/24	Start Date	End Date
Swansea Bay UHB	Provision of clinical services to Hywel Dda residents in and by SBUHB	£38,396,057	01-Apr-23	31-Mar-24
Aneurin Bevan UHB	Provision of clinical services provided to HDdUHB residents	£284,376	01-Apr-23	31-Mar-24

Betsi Cadwaladr UHB	Provision of clinical services provided to HDdUHB residents	£298,014	01-Apr-23	31-Mar-24
Cardiff & Vale UHB	Provision of clinical services provided to HDdUHB residents	£6,184,556	01-Apr-23	31-Mar-24
Cwm Taf Morgannwg UHB	Provision of clinical services provided to HDdUHB residents	£504,632	01-Apr-23	31-Mar-24
Powys Local Health Board	Provision of clinical services provided to HDdUHB residents	£202,821	01-Apr-23	31-Mar-24
Velindre NHS Trust	Provision of clinical services provided to HDdUHB residents	£1,426,580	01-Apr-23	31-Mar-24
WHSSC & EASC	Provision of clinical services provided to HDdUHB residents	£118,585,511	01-Apr-23	31-Mar-24

The above total quantum is circa £165,882,547.

Investments included in the Expenditure LTA tabled above:

SBU Investments 23/24	£
2nd Stage Singleton Cancer PCB Contribution (Linacc C)	31,500
Linacc D (4th Replacement) - Part yr 23/24	37,000
Prostate hyperfractionation	85,608
Metastatic Spinal Cord Compression	60,000
Breast Cancer	146,000
	<u>360,108</u>

Velindre Investments 23/24	£
NICE Drug Growth	65,991
Hosting Fee for NWIS - Cost Pressure Split Across Commissioners	11,000
Integrated Radiotherapy Solution - TCS planned requirement	8,886
SACT Medicine Infrastructure Financial impacts (MIFs) 2023-24	1,510
Radiotherapy Service Implementation	5,449
	<u>92,836</u>

WHSSC Developments 23/24	£'m
M7 22/23 - Outturn Forecast	-2.15
Reinstate Non Recurrent Writebacks	2.14
Adjustments for Non Recurrent Performance	1.87
NHS England Provider Inflation - 1.5%	0.16
NHS Wales Provider Inflation - 1.5%	0.96
Full Year Effect of Prior Approved Commitments	0.63
Unavoidable New Growth & Cost Pressures	0.62
Disinvestments & Re-Commissioning (VBC Workstreams)	-1.37
CIAG & Prioritisation Schemes	0.08
Strategic Specialist Priorities	0.06
	<u>3.00</u>

Income LTA Contract Values

Health Board	Description	Annual Value 23/24	Start Date	End Date
Aneurin Bevan	Provision of clinical services to Aneurin Bevan residents	£378,773	01-Apr-23	31-Mar-24
Betsi Cadwaladr	Provision of clinical services to Betsi Cadwaladr residents	£4,883,930	01-Apr-23	31-Mar-24
Cardiff & Vale	Provision of clinical services to Cardiff & Vale residents	£388,562	01-Apr-23	31-Mar-24
Cwm Taf Morgannwg	Provision of clinical services to Cwm Taf Morgannwg residents	£467,035	01-Apr-23	31-Mar-24
Powys	Provision of clinical services to Powys residents	£8,634,444	01-Apr-23	31-Mar-24
Swansea Bay	Provision of clinical services to Swansea Bay residents	£4,826,267	01-Apr-23	31-Mar-24
WHSSC	Provision of clinical services to UHB residents by Hywel Dda	£1,758,206	01-Apr-23	31-Mar-24
Public Health Wales (Directorate)	Provision of clinical services to UHB residents by Hywel Dda	£874,559	01-Apr-23	31-Mar-24

Unfortunately, the LTA principles agreed ahead of 2022/23 have not progressed to a level that allows any significant changes ahead of 2023/24 through the financial flows sub-group. However, there are a number of changes ahead of 2023/24 that will have an impact on the financial outturn.

The financial flows sub-group undertook an assessment of the 2022/23 framework to establish the impact of the framework principles from a commissioner and a provider basis.

The main qualitative feedback on the framework ahead of 2023/24 is summarised below:

- Principle of avoiding destabilisation for providers is achieved
- Straightforward to implement for provider monitoring and clear to identify difference between extant contract framework
- Merit in using the 2019/20 outturn as baselines, updated from the historic LTA levels
- Reporting volatility with swings in month-end reported positions, making it difficult to forecast
- The enhanced marginal rates have not incentivised or increased activity, but added reporting volatility

Asesiad / Assessment

The financial flows sub-group undertook an assessment around the impact across Wales, which demonstrated that three of the eight organisations benefited from an on-going protection against Cost and Volume under-performance. Unfortunately, despite the work undertaken to date, the sub-group was unable to reach a consensus on a recommended approach to 2023/24 due to the polarised views between net commissioners and providers.

Concerned about the potential impact on Integrated Medium Term Plans and the urgency to reach a resolution on the contracting approach, at the Deputy DOFs meeting in February 2023, the group supported a proposal to quickly provide a recommendation to DoFs prior to the March 2023 DoF Forum discussion.

To facilitate a recommendation, members were asked to submit their organisations preference for one of the following options:

- Option A) rolling the current framework forward into 2023/24
- Option B) reverting back to extant contracting mechanisms in 2023/24

All eight organisations affected by the framework mitigation provided a response, resulting in a 5-3 split in favour option A. HDdUHB advocated strongly for option B, alongside Aneurin Bevan and Powys Health Boards. Unfortunately, the consensus of the remaining five organisations was to support and endorse option A.

In the narrative accompanying the organisational responses, it emerged from a number of organisations who were supportive of option A, that a reduction in the underperformance tolerance from 10% to 5% would be considered as a reasonable step forward to continue recovery and stay in line with the overarching key principles.

A number of organisations also reiterated a commitment to working towards a revised contracting framework reflective of current cost bases and activity flows in the first six months of 2023/24 so that it can begin to take effect from 2024/25.

Based on the above, the following recommendation was made from Deputy DoFs to DoFs:

Recommendation:

Therefore, the recommendation from the Deputy DoF group is to: Support the majority preference for option A, rolling the 2022/23 contracting framework into 2023/24 but to reduce the underperformance tolerance from 10% to 5%.

The DoFs subsequently approved the recommendation ahead of the 2023/24 financial year.

Argymhelliad / Recommendation

The SRC is asked to note and discuss the LTA contracting approach for 2023/24.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

<p>Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:</p>	<p>Maintain oversight of, and obtaining assurances on, the robustness of key income sources and contractual safeguards.</p> <p>Commission regular reviews of key contracts, suppliers and partners to ensure they continue to deliver value for money.</p>
<p>Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:</p>	<p>Not Applicable</p>

Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	5. Timely Care 7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	3. Striving to deliver and develop excellent services 6. Sustainable use of resources
Amcanion Cynllunio Planning Objectives	1A NHS Delivery Framework targets
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2018-2019	10. Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Contained in the Report
Rhestr Termau: Glossary of Terms:	Contained in the Report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	All Wales Directors of Finance Sustainable Resources Committee

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Set out within the Paper
Ansawdd / Gofal Claf: Quality / Patient Care:	Not Applicable
Gweithlu: Workforce:	Not Applicable
Risg: Risk:	Not Applicable
Cyfreithiol: Legal:	Not Applicable
Enw Da: Reputational:	Not Applicable
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable