

***SOUTH EASTERN HSC TRUST***  
***FINANCE REPORT***  
***9 MONTHS TO 31 DECEMBER 2018***

### **Overall Position**

The Trust is reporting a year to date deficit at Month 9 of £0.34M (£0.37m deficit at month 8) and a forecast year end breakeven position.

Whilst the Trust is forecasting a year end breakeven position, The Trust Delivery Plan (TDP) details measures on how the Trust will address an identified deficit of £3.6m, due to emerging pressures in 2018-19. The plan is reliant on the Trust identifying £0.75m in savings over the second half of the financial year. The Trust has made progress in addressing some of the shortfall. However a deficit of £0.37m at month 9 equates approximately to forecast full year deficit of £0.45m. This means that the Trust still has to identify further savings/cost control measures of this value by year-end.

### **Confidence & Supply Funding**

There is approximately £14m of funding available for South Eastern Trust Transformation projects. This funding is strictly ring-fenced and only available for approved projects. The Trust constantly monitors the estimated actual costs in respect of Transformation schemes. It is estimated, at Month 9 that that expenditure will be approximately £2m less than what is available due mainly to delays in recruitment. The Trust will be required to return any excess funding for Transformation projects. Funding cannot be used for core services or to subsidise any potential deficits. Similarly if the

Trust underspends against Transformation funding, it will be required to disclose an underspend in respect of this.

### **Trust Delivery Plan (TDP)**

On 26 September 2018 the Trust Board approved the Trust Delivery Plan (TDP) for 2018-19. Following the Permanent Secretary for Health's letter of 23 August 2018. The Trust was required to submit a balanced TDP for 2018-19. The TDP detailed how the Trust was to address a forecast deficit, identified at month 4 of £3.6m.

As part of the TDP, the Trust was required to prepare a financial strategy, setting out the Trust's position and covering the following main issues:-

- Forecast Position
- Emerging Pressures
- How the Trust would address forecast deficit of £3.6m identified at Month 4
- How the Trust would address its Savings Requirement of £9.02m
- Key Financial Assumptions

The Trust will address the forecast year end deficit by taking the following measures:-

	£m
Month 4 deficit	3.60
Confirmed funding – Regional Pharmacy Savings	(0.82)
Demography funding applied to expenditure in baseline	(0.78)
Further non-recurring slippage on demography	(0.50)
Technical adjustments general creditor	(0.50)
Directorates Travel creditor	(0.25)
Residual deficit to be addressed over final 6-7 months	(0.75)
<b>Total/breakeven</b>	<b>0.00</b>

The revised Financial Plan has, inevitably, some increased risk associated with its delivery, given that all financial flexibility has now been applied to forecast year end breakeven.

The Trust has also advised DoH/HSCB that there is an emerging pressure in the second half of the financial year relating to increased energy costs of approximately £1.1m and a recurrent cost in 2019-20 of approximately £1.8m to £2m.

### 2019-20 Opening Position

It should be noted that whilst the Trust is forecasting a year end break even position in 2018-19, there remains a significant recurring deficit. The opening recurring deficit in 2018-19 was approximately £33m. The Trust is undertaking a financial planning exercise to identify the 2019-20 opening

position. At this stage it is likely that the opening deficit will be in the region of £40m due to a range of emerging issues.

### Savings Requirement 2018-19

The Trust has been set a Savings Target for 2018-19 of £9.02m. This Savings Target has three elements and is listed in the table below:

	£m
Trust Savings	6.86
Regional Pharmacy Savings	1.86
Community & Voluntary Sector	0.30
<b>Total Savings Requirement 2018-19</b>	<b>9.02</b>

Similar to 17-18, the Trust believes that the Regional Pharmacy Savings Target will not be achievable. The Trust has identified potential savings of approximately £1m as being achievable in 2018-19. The Trust has received £820k non-recurrently to fund this identified shortfall.

In respect of the Trust Savings and the Community and Voluntary Sector Savings Target, the Trust has highlighted a range of no/low impact measures to meet the target. The proposals are detailed in the Trust's TDP.

At Month 9, the Trust is on track to meet its Saving Target in full.

### **Key Assumptions/Risks**

- The Trust has to achieve its Trust Savings Target in full.
- Regional Pharmacy Savings – Trust has to achieve £1m of savings in year – mostly in the final 4 – 5 months.
- Any surplus funding in respect of Transformation projects will be retracted by DoH/HSCB.
- Winter Resilience - The Trust will not over commit against its Resilience Funding. There remains a gap in the funding for the totality of plans (approximately £2.0m out of £6.9m). Our plans will be reviewed again to provide a more accurate spending profile.
- Creditors Brought Forward - By releasing General Creditors in 2018-19 there is a risk that auditors will be critical of inconsistent approaches, and a risk of lack of cover going into 2019-20. The audit risk is low due to immateriality.
- The Trust is reliant on capitalising £0.5m of more minor equipment on a recurring basis (less than last year, but still a risk).
- Cost projections remain as expected in the final three months of the year.
- There may be additional costs in respect of EU Exit preparations. This will mainly be in respect of increasing stock levels at year-end. The Trust is working regionally with HSCB bodies to scope this.
- There will be no major accounting changes or provisions at year end.

### **Highlights of Month 9 Performance**

Expenditure trends in month 9 are relatively stable, except for the increased pressures identified in independent sector fostering. Certain increased costs in respect of tariff uplifts for Nursing/Residential and domiciliary care are as expected. Any major emerging pressures have been identified and factored into the Trust forecast position.

The Trust still has to identify a further £0.45m in savings/cost control measures in the final three months of the year to achieve a breakeven position.

### **Conclusion**

At month 9, the Trust is forecasting a year end breakeven position and is also forecasting that it will achieve its annual Savings Target of £9m.

It is important that we keep control of our costs for the remainder of 2018-19, particularly heading into the busy winter period as there will be little or no scope to absorb increases in expenditure.

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Neil Guckian

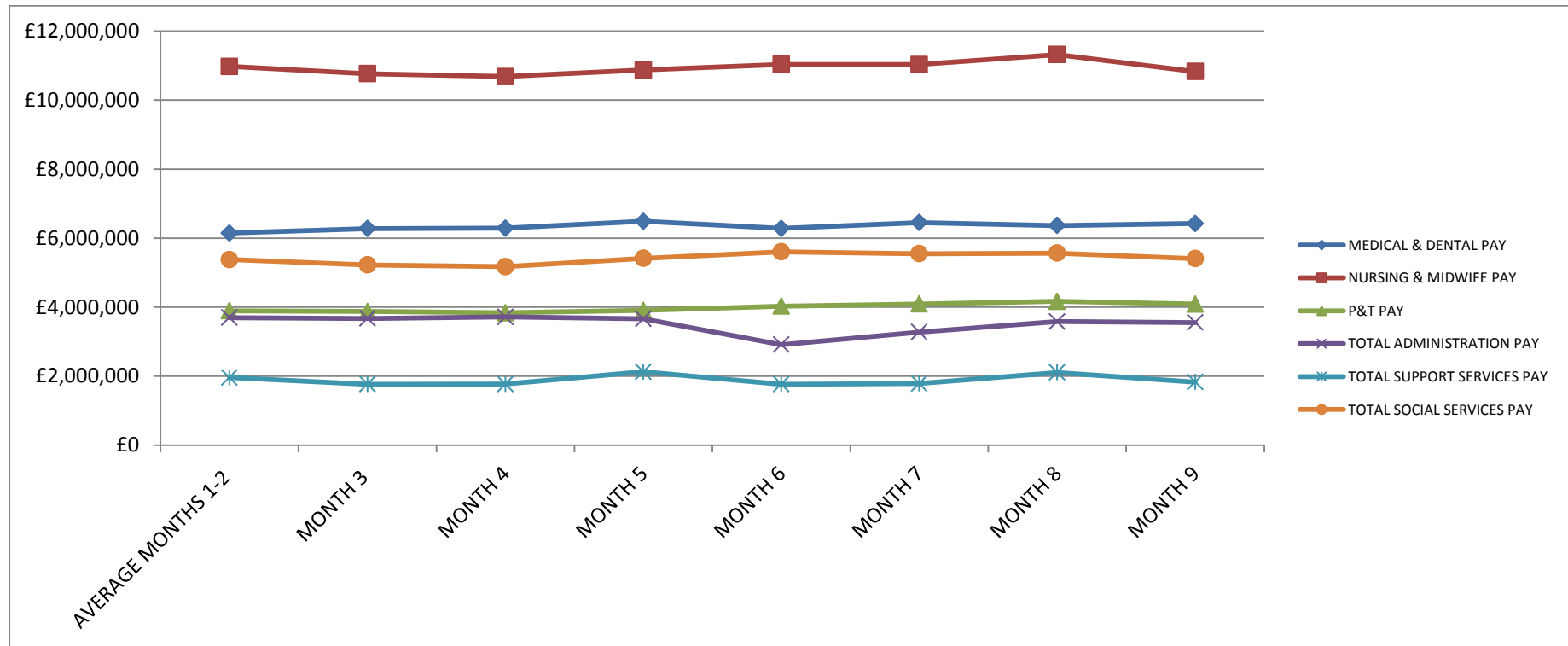
**Summary Financial Position**

The Trust has reported a deficit at month 9 of £0.34m a forecast year end break even position.

Period ended:	Reported( Surplus) / Deficit £m	Forecast year end (surplus) /Deficit £m
31 <sup>st</sup> May 2018	N/A	N/A
30 <sup>th</sup> June 2018	1.4	4.2
31 <sup>st</sup> July 2018	1.1	3.6
31 <sup>st</sup> August 2018	0.35	0.0
30 <sup>th</sup> September 2018	0.28	0.0
31 <sup>st</sup> October 2018	0.32	0.0
30 <sup>th</sup> November 2018	0.37	0.0
31 <sup>st</sup> December 2018	0.34	0.0

**Overall Salaries and Wages Spend**

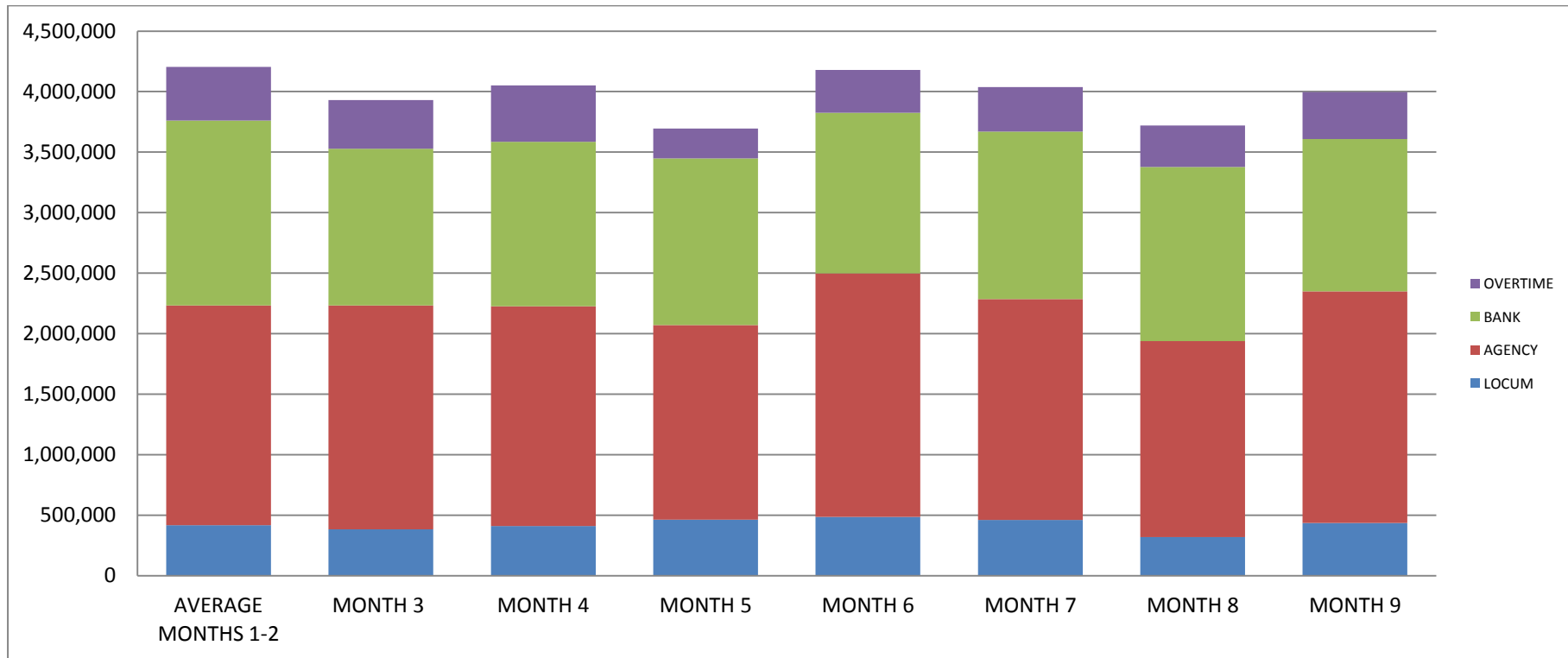
The graph below illustrates the stable trends in payroll spend across the Trust – our top six spend areas in terms of salaries and wages are shown below – representing over 90% of our total monthly pay bill:



Month 1 and 2 expenditure has been averaged to remove the effect of the listing of year end creditors. It is also normal to witness spikes in expenditure towards year end. Payroll costs are affected by whether there are four or five pay days for weekly paid staff (month 9 was a four week month and month 8 a five week month).

**Flexible Staffing Costs**

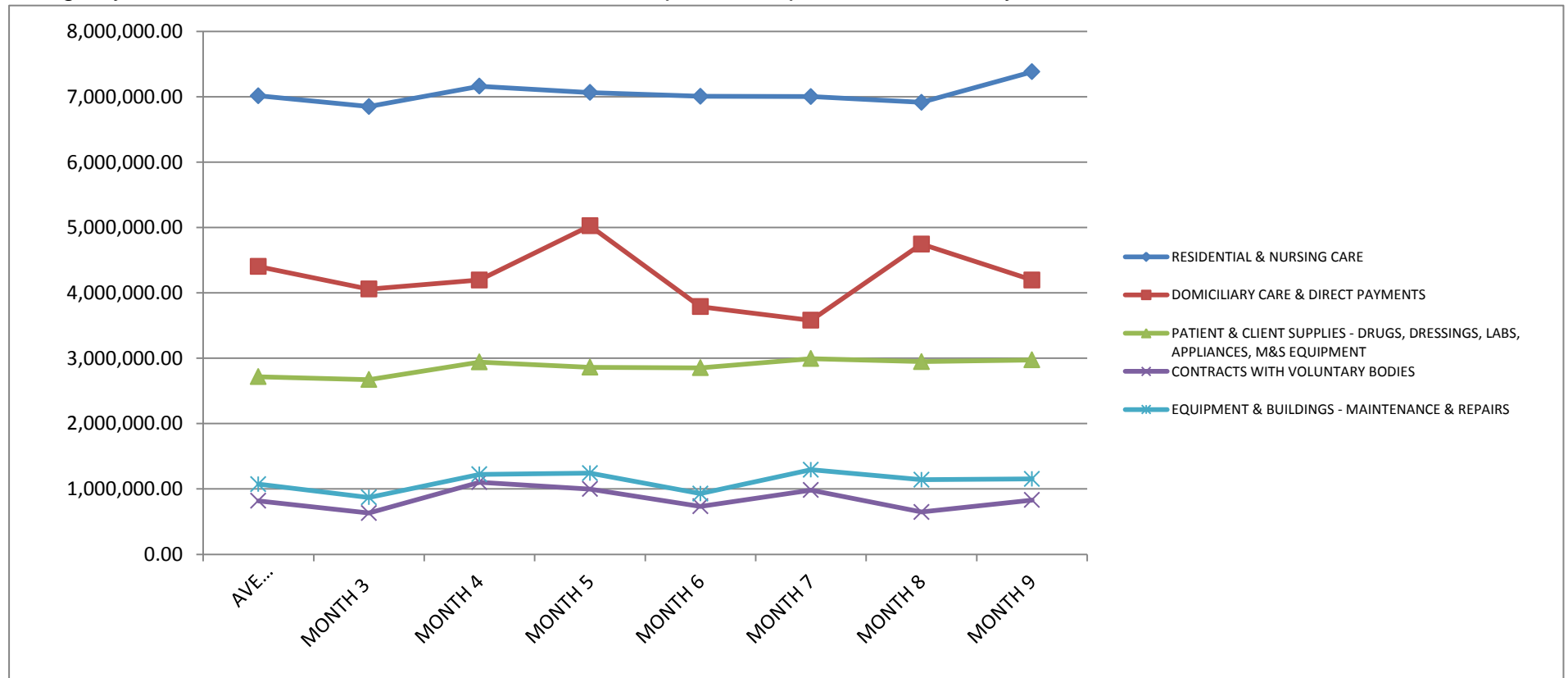
An area which we have particularly focused on to deliver out workforce elements of our savings plans in the past has been our reliance on flexible staffing. The total spend on these areas each month is highlighted below: (figures have been adjusted to remove anomalies created by 4 and 5 week months. (month 9 was a four week month and month 8 a five week month).



Flexible staffing covers agency, locum, bank and overtime costs for the organisation and we can see these are overall fairly stable. Some fluctuations can be experienced due to time lags in agency invoicing, particularly in respect of invoices issued around the year end.

**Goods and Services Spend**

Almost 80% of the Trust’s monthly goods and services can be represented in the five categories below – monthly trends in this expenditure have remained relatively stable – some such as domiciliary care are impacted by 4 and 5 weekly months (month 9 was a four week month and month 8 a five week month). Month 1 and 2 expenditure has been averaged to remove the effect of the listing of year end creditors. It is also normal to witness spikes in expenditure towards year end.





**Directorate Performance – Summary**

**NB: In the following tables a negative figure represents an underspend against budget, with a positive figure indicating an overspend**

	(SURPLUS)/ DEFICIT YEAR TO DATE			DIRECTORATE FORECAST YEAR END POSITION
	SALARIES AND WAGES	GOODS AND SERVICES	TOTAL	
	£'000	£'000	£'000	£'000
ADULT & PRISON SERVICES	320	(433)	(113)	(506)
CHILDRENS SERVICES	278	2,157	2,435	2,761
PRIMARY & ELDERLY SERVICES	(1,196)	910	(286)	(891)
FINANCE & ESTATES	107	1,191	1,298	780
HOSPITAL SERVICES	1,863	6,592	8,455	9,303
PLANNING,IT & PERF MANGEMENT	(142)	(330)	(472)	(458)
HUMAN RESOURCES & CORP AFFAIRS	(221)	901	680	837
	1,009	10,988	11,997	<b>11,826</b>
COST PRESSURES/SAVINGS/INCOME ANTICIPATED			(11,659)	(11,826)
(SURPLUS)/DEFICIT			338	<b>0</b>
FURTHER TRUST SAVINGS – TO BE IDENTIFIED				0
YEAR END PROJECTION				<b>0</b>

### Individual Directorate Breakdown

ADULT SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
DIR ADULT & PSYCHOLOGY SERV	27,503	(66,587)	(39,084)
DISABILITY	(76,131)	(473,966)	(550,097)
MENTAL HEALTH	327,171	2,736	329,907
PRISON SERVICES	41,305	104,499	145,804
TOTAL	319,848	(433,318)	(113,470)

### Commentary

Adult Services are reporting a surplus at month 9 of £113K and a forecast year end surplus of £506K.

CHILDREN'S SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
CARED FOR CHILDREN	735,742	2,079,576	2,815,318
CHILDRENS HEALTH	(505,088)	(138,309)	(643,397)
DIR. CHILD SERV & SWK GOV.	(52,871)	(102,698)	(155,569)
SOCIAL WORK QUALITY IMPROVEMENT, PRACTICE DEVELOPMENT & WORKFORCE	(122,061)	26,987	(95,074)
PREVENTION POPULATION HEALTH	74,715	(100,275)	(25,560)
SAFEGUARDING CHILDREN	186,415	400,718	587,133
SURESTART	(38,767)	(8,667)	(47,434)
TOTAL	278,085	2,157,332	2,435,417

### Commentary

Children's Services are reporting a deficit at month 9 of £2,435K and a forecast year end deficit of £2,761K.

<b>PRIMARY CARE AND ELDERLY SERVICES</b>	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
ALLIED HEALTH PROFESSIONALS	(902,280)	548,169	(354,111)
CARE PROVISION	(418,899)	(215,735)	(634,634)
DEMENTIA SERVICES	270,389	23,576	293,965
DIRECTORS & ASSISTANTS	23,508	437,788	461,296
ELDERLY SERVICES	123,556	179,140	302,696
PRIMARY CARE	(292,021)	(62,671)	(354,692)
<b>TOTAL</b>	<b>(1,195,747)</b>	<b>910,267</b>	<b>(285,480)</b>

### Commentary

The Directorate is reporting a surplus at month 9 of £286K and a forecast year end surplus of £891K.

<b>CORPORATE DIRECTORATES</b>	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
FINANCE AND ESTATES	106,956	1,191,071	1,298,027
PLANNING,IT & PERF MANGEMENT	(141,716)	(330,406)	(472,122)
HUMAN RESOURCES & CORP AFFAIRS	(220,682)	900,545	679,863
TOTAL	(255,442)	1,761,210	1,505,768

### **Commentary**

Overall the Corporate Directorates are reporting a deficit at month 9 of £1,506K and a forecast year-end deficit of £1,159K.

HOSPITAL SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
BANK NURSES SE TRUST	(51,365)	5,645	(45,720)
DIR. OF GENERAL MEDICINE	777,008	1,134,852	1,911,860
DIRECTORATE OF SURGERY	(310,651)	2,060,929	1,750,278
ELECTIVE CARE REFORM	3,971	1,241	5,212
EMERGENCY CARE REFORM	0	£0	0
OPERATIONAL MEDICAL SUPPORT	(2,873,124)	1,199,095	(1,674,029)
UNSCHEDULED CARE	3,486,493	345,813	3,832,306
WOMEN AND CHILD HEALTH	830,301	1,844,056	2,674,357
TOTAL	1,862,633	6,591,631	8,454,264

### Commentary

Hospital Services are reporting a deficit at month 9 of £8,455K and a year-end forecast deficit of £9,303K.

### Capital Expenditure Month 9

The Department of Health's (DoH) Capital Resource Limit (CRL) of £61.068m as per the November 2018 Report has increased to £64.527m as per the DoH letter dated 16 January 2019. This increase of £3.459m relates to an additional £1.445m ICT, £1.195m associated with Transformation Projects, an additional £0.827m general capital less £0.008m movement in disposals. Note, £3.240m of the additional £3.459m was received in January 2019, up to and including 16<sup>th</sup> January 2019.

As a result, the Trust's £64.527m comprises of: £46.765m towards the Ulster Hospital Phase B project; Other Specific Schemes of £8.678m comprising of Lagan Valley Enabling works £2.243m, Imaging £1.655m, ICT £3.328m, £1.195m associated with Transformation Projects and GP Improvement Scheme – Trust Owned £0.257m; General Capital funding of £9.222m and disposals £0.138m. Note, the additional general capital of £0.827m has mainly been allocated to equipment reflecting priority having been given to estates at the start of the year due to lead in time.

The following table summarises the Trust's 2018/19 Capital Resource Limit together with expenditure as at 31<sup>st</sup> December 2018 and forecast to 31 March 2019. With the exception of Phase B, the cumulative expenditure at month 9 reflects planned low spend which will increase during quarter 4 of 2018/19.

	2018/19 Capital Resource Limit as reported at 30 November 2018 £'000	Changes in the 2018/19 CRL £'000	2018/19 Capital Resource Limit as at 16 January 2019 £'000	Expenditure to 31/12/18 £'000	Forecast to 31/3/19 £'000
Ulster Hospital Phase B	46,765	0	46,765	35,424	46,765
Other Specific Schemes	6,038	2,640	8,678	546	8,678
General Capital	8,395	827	9,222	3,178	9,222
Disposals	(130)	(8)	(138)	(138)	(138)
<b>Total</b>	<b>61,068</b>	<b>3,459</b>	<b>64,527</b>	<b>39,010</b>	<b>64,527</b>

Disposal £130k Seymour House and £8k vehicles