SOUTH EASTERN HSC TRUST

FINANCE REPORT

5 MONTHS TO 31 AUGUST 2017

Overall Position

At month 5 the Trust is reporting a year to date deficit of £4.3m and a forecast year-end deficit of £8.1m. This forecast deficit is attributable to three factors:

- Shortfall in allocation against 16-17 Pressures of £6.2m
- New pressure of additional superannuation charges of approximately £0.85m (estimate).
- Shortfall in the achievability of the Regional Pharmacy Savings Target of £1.05m.

At month 4, The Trust was forecasting a year-end deficit of £7.0m. This has now risen to £8.1m. The reason for this is the shortfall in Regional Pharmacy savings of £1.1m. At month 4, the Trust had included additional savings in its Draft Savings Plan to address this shortfall. However the Trust has subsequently been advised by Department of Health (DoH) that the Savings Plans should not include this shortfall.

The above position is dependent upon the Trust achieving the full in year Trust Savings Target of £10.8m and a further £0.5m Regional Pharmacy Savings. The position also assumes that no additional in year pressures materialise during the rest of 2017-18.

Savings Requirement 2017-18

As previously reported, the Trust has been set a Savings Target in 2017-18 of £12.354m and this amount has been deducted from our opening allocation. This consists of the following:-

	£M
Trust Savings (share of £70m)	10.800
Regional Pharmacy Savings (share of £12.5m)	1.554
Total Savings Requirement 2017-18	**12.354**

This is substantially higher than any savings target that the Trust has had to achieve in recent years and it will be difficult to achieve without impacting on services.

The Trust has been advised to consult with the public in respect of its proposed Savings Plan and this process commenced in August 2017 and will run through to early October. Included within the Savings Plan are £2.05m of High Impact Savings which will have an adverse effect upon services.

Similar to 2016-17, it is likely that the majority of savings achieved will be non-recurrent in nature.

Mid-Year Review 2017-18

Similar to previous years, the Trust will carry out a detailed mid-year Financial review as at month 6 (September). The purpose of this review is to:

- Review the financial pressures, both existing and emerging.
- Review the deliverability of Savings Plan
- Review creditors and accruals

I will report back to Finance Committee and Trust Board on the details of this review.

Key Assumptions/Risks

- The Trust has to achieve its Savings Target in full. This will be extremely challenging.
- Regional Pharmacy Savings. – The Trust believes that this will not be achievable in year. There is a risk that an element of the identified savings has already been achieved in 2016-17 and will not improve the Trusts position in 2017-18.
- The Trust is reliant on capitalising £1m of revenue equipment on a recurring basis. There is a risk that the capital allocation in 2017-18 will not be sufficient to be able to do this – we will require additional capital to achieve this.
- There will be no major accounting changes or provisions at year end.
- Cost projections remain as expected in the final 7 months of the year.

Highlights of Month 5 Performance

Expenditure trends in month 5 are relatively stable. Certain increased costs such as additional costs in respect of Phase B and tariff uplifts for Nursing/Residential and Domiciliary Care are as expected. Hospital Services experienced a one off cost of £117K in month due to loss/replacement of drugs due to a failure in the refrigeration system.

Conclusion

2017-18 will be a challenging year. The level of savings that the Trust will have to achieve in order to breakeven is substantially higher than has been achieved in previous years.

It will be difficult to achieve savings on such a scale without impacting on services.

It is important that we keep control of our costs in 2017-18 – with so much uncertainty and challenges, there will be little or no scope to absorb increases in expenditure.

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Neil Guckian

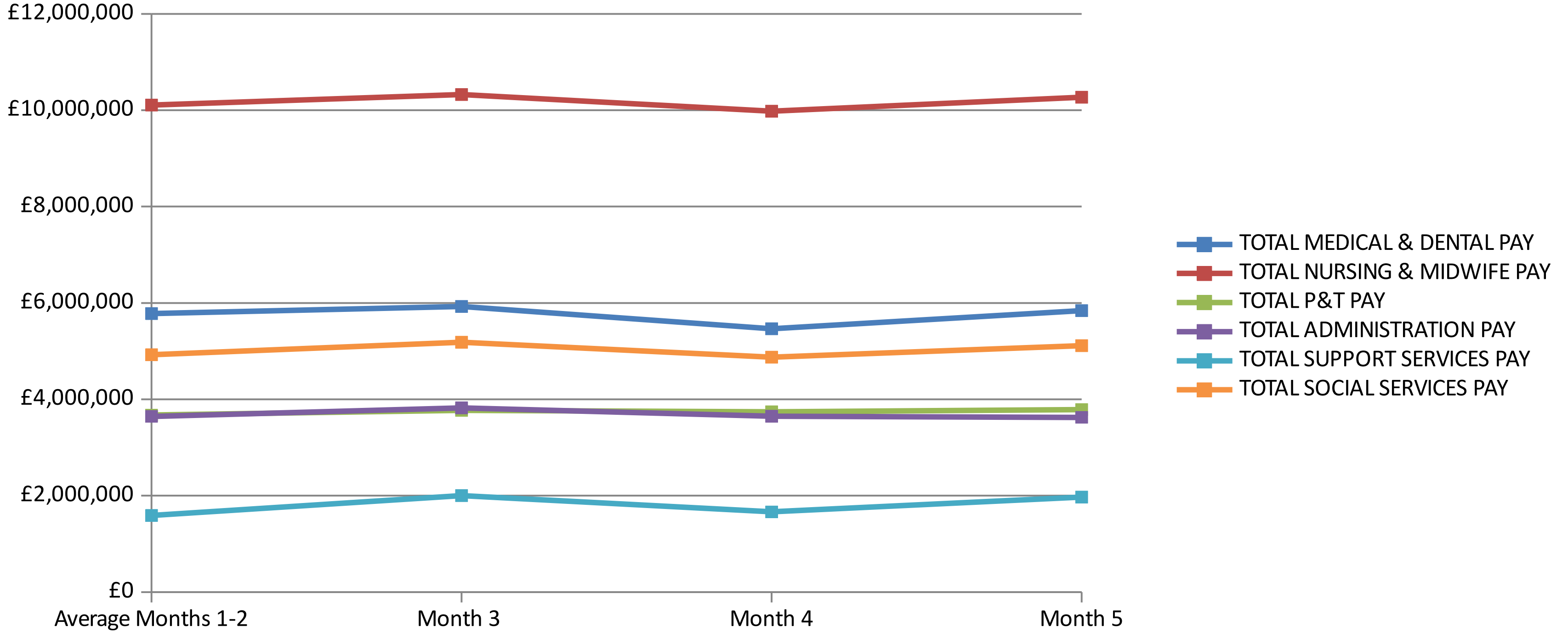
Summary Financial Position

The Trust has reported a deficit of £4.3m and a forecast year end deficit of £8.1m – reported results for the financial year to date are as follows.

Period ended:	Reported(Surplus) / Deficit £m	Forecast year end (surplus) /Deficit £m
Draft Savings Plan (revised)		46.5
31st May 2017	N/A	N/A
30th June 2017	N/A	N/A
31st July 2017	3.6	7.0
31st August 2017	4.3	8.1

Overall Salaries and Wages Spend

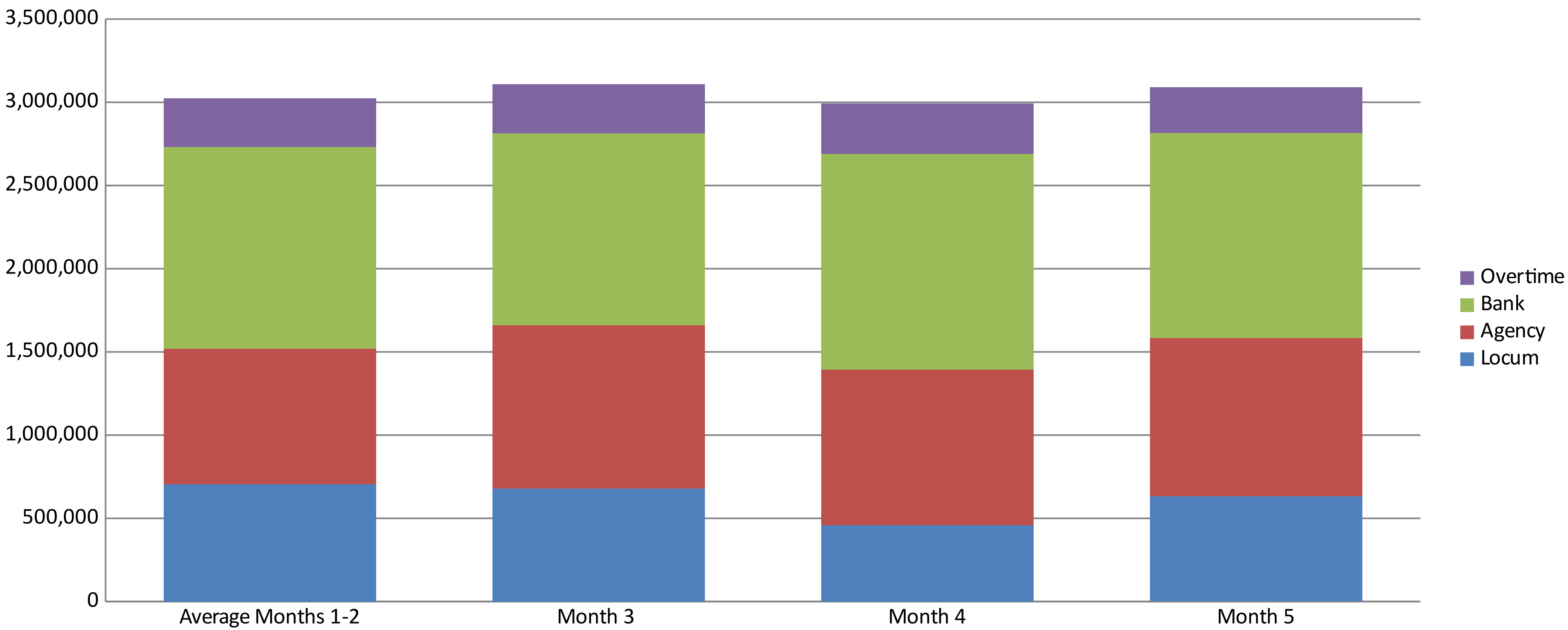
The graph bellows illustrates the stable trends in payroll spend across the Trust – our top six spend areas in terms of salaries and wages are shown below – representing over 90% of our total monthly pay bill:



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 5 was a five week month).

Flexible Staffing Costs

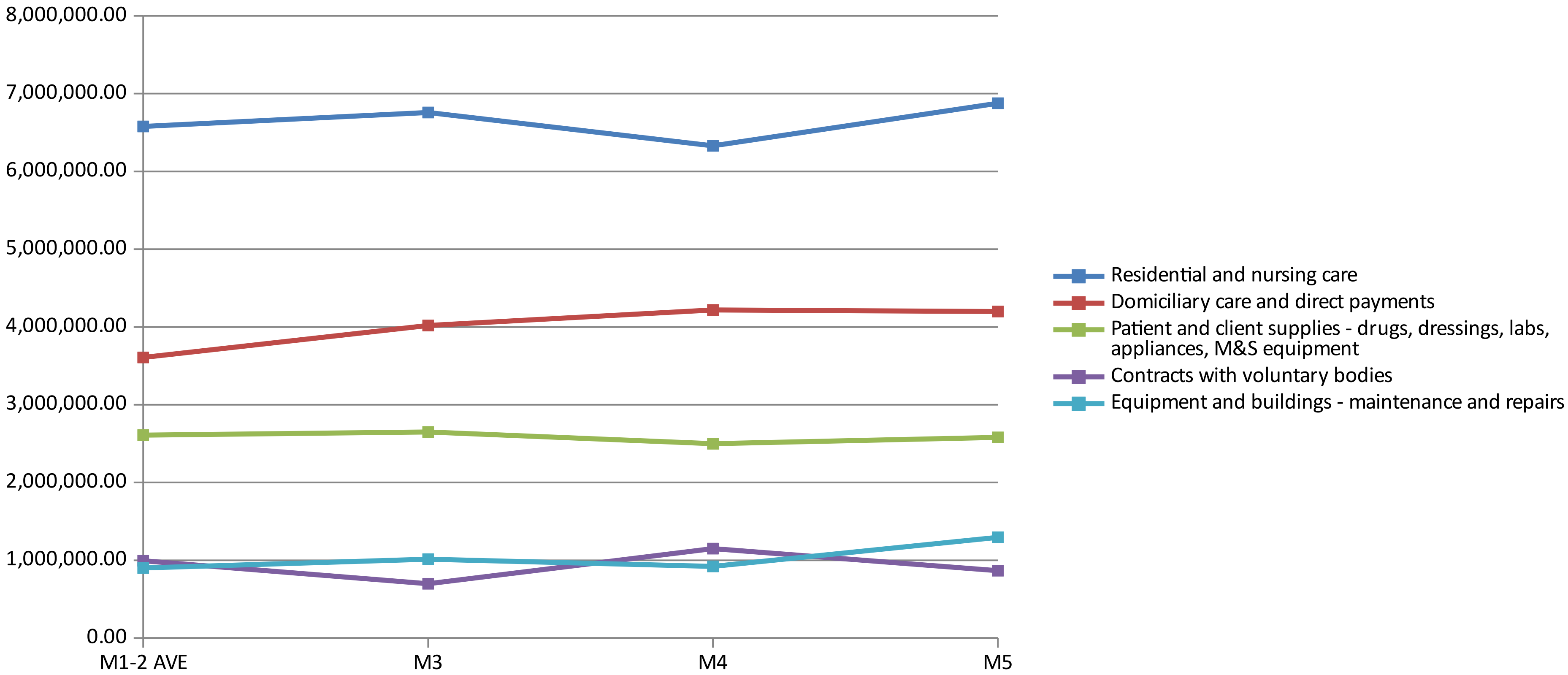
An area which we have particularly focused on to deliver out workforce elements of our savings plans in the past, has been our reliance on flexible staffing. The total spend on these areas each month is highlighted below: (figures have been adjusted to remove anomalies created by 4 and 5 week months.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



Flexible staffing covers agency, locum, bank and overtime costs for the organisation and we can see these are overall fairly stable. Some 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 5 was a 5 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			
	SALARIES AND WAGES	GOODS AND SERVICES	TOTAL	DIRECTORATE FORECAST YEAR END POSITION
	£'000	£'000	£'000	£'000
ADULT & PRISON SERVICES	370	(211)	159	361
CHILDRENS SERVICES	(64)	745	681	1,412
PRIMARY & ELDERLY SERVICES	(932)	294	(638)	(377)
FINANCE & ESTATES	(23)	402	379	525
HOSPITAL SERVICES	2,382	1,973	4,355	8,043
PLANNING,IT & PERF MANGEMENT	(86)	(189)	(275)	(601)
HUMAN RESOURCES & CORP AFFAIRS	(450)	135	(315)	(414)
	1,197	3,149	4,346	**8,949**
COST PRESSURES/SAVINGS ANTICIPATED				(838)
(SURPLUS)/DEFICIT				**8,111**
FURTHER TRUST SAVINGS – TO BE IDENTIFIED				**0**
YEAR END PROJECTION				**8,111**

Individual Directorate Breakdown

ADULT SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
DIR ADULT & PRISON SERVICES	(19,678)	3,280	(16,398)
DISABILITY	(209,710)	(68,025)	(277,735)
MENTAL HEALTH	371,555	(85,521)	286,034
PRISON SERVICES	227,423	(60,859)	166,564
TOTAL	369,590	(211,125)	158,465

Commentary

Adult Services are reporting a deficit at month 5 of £158K and a forecast year end deficit of £361K.

CHILDREN'S SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
CARED FOR CHILDREN	305,108	702,619	1,007,727
CHILDRENS HEALTH	(360,551)	(144,908)	(505,459)
DIR. CHILD SERV & SWK GOV.	(37,814)	(62,348)	(100,162)
SOCIAL WORK QUALITY IMPROVEMENT, PRACTICE DEVELOPMENT & WORKFORCE	(40,111)	30,373	(9,738)
PREVENTION POPULATION HEALTH	(6,702)	(21,492)	(28,194)
SAFEGUARDING CHILDREN	70,171	183,243	253,414
SURESTART	6,235	57,829	64,064
TOTAL	(63,664)	745,316	681,652

Commentary

Children's Services are reporting a deficit at month 5 of £681K and a forecast year end deficit of £1,412K. The forecast year-end deficit is largely attributable to pressures within Independent Fostering.

PRIMARY CARE AND ELDERLY SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
ALLIED HEALTH PROFESSIONALS	(42,895)	199,195	156,300
CARE PROVISION	(796,472)	41,036	(755,436)
DEMENTIA SERVICES	128,506	(4,987)	123,519
DIRECTORS & ASSISTANTS	(1,306)	209,268	207,962
ELDERLY SERVICES	(37,035)	(124,322)	(161,357)
PRIMARY CARE	(182,867)	(26,606)	(209,473)
TOTAL	(932,069)	293,584	(638,485)

Commentary

The Directorate is reporting a surplus at month 5 of £638K and a forecast year end surplus £377K. The under spend in salaries and wages is attributable to scheduled recruitment which has not yet occurred.

CORPORATE DIRECTORATES	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
FINANCE AND ESTATES	(22,616)	402,387	379,771
PLANNING,IT & PERF MANGEMENT	(86,414)	(189,013)	(275,427)
HUMAN RESOURCES & CORP AFFAIRS	(449,710)	134,661	(315,049)
TOTAL	(558,740)	348,035	(210,705)

Commentary

Overall the corporate Directorates are reporting a surplus at month 5 of £211K and a forecast year-end surplus of £490K.

HOSPITAL SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
BANK NURSES SE TRUST	(1)	24,661	24,660
DIR. OF GENERAL MEDICINE	2,075,811	55,463	2,131,274
DIRECTORATE OF SURGERY	(107,186)	812,709	705,523
ELECTIVE CARE REFORM	0	0	0
EMERGENCY CARE REFORM	77,276	(656)	76,620
OPERATIONAL SUPPORT MEDICAL	(4,188)	122,384	118,196
WOMEN AND CHILD HEALTH	340,412	958,812	1,299,224
TOTAL	2,382,124	1,973,373	4,355,497

Commentary

Hospital Services are reporting a deficit at month 5 of £4,355K and a year-end forecast deficit of £8,043K. The Directorate experienced a one off cost of £117K in month due to loss/replacement of drugs due to a failure in the refrigeration system.

Capital Expenditure Month 5

The Trust's indicative Capital Delegated Expenditure Limit (DEL) for maintaining essential services has increased to £43.345m as per the Department of Health's (DoH's) letter of 12th September 2017. This increase of £1.246m reflects Phase Project Management funding of £520k, additional General Capital funding of £619k and additional ICT funding of £107k.

The Trust's indicative Capital DEL of £43.345m comprises of £38.194m for the Ulster Hospital Phase B, £1.191m Other Specific Schemes (Lagan Valley enabling works and ICT) plus £3.960m General Capital. This indicative general capital funding of £3.960m has been allocated to a range of projects across the various Directorates with priority given to estates works due to the lead in time. As a result, the majority of the associated spend will be in quarters 3 and 4, as quarters 1 and 2 are required to finalised Capital Business Cases below delegated limits and place tenders.

The following table summarises the 2017/18 Indicative Capital DEL for maintaining essential services, together with expenditure as at 31 August 2017 and forecast to 31 March 2018. Cumulative expenditure in the first 5 months reflects planned low spend which will increase during quarters 3 and 4 of 2017/18.

	2017/18 Indicative Capital DEL for Maintaining Essential Services as per DoH's letter issued 30/6/17	**2017/18 Indicative Capital DEL for Maintaining Essential Services as per DoH's letter issued 12/9/17**	**Expenditure to 31/8/17 £'000**	**Forecast to 31/3/18 £'000**
	£'000	**£'000**		
Ulster Hospital Phase B	37,674	38,194	8,078	38,194
Other Specific Schemes	1,084	1,191	217	1,191
General Capital	3,341	3,960	976	3,960
Total	**42,099**	**43,345**	**9,272**	**43,345**