

***SOUTH EASTERN HSC TRUST***  
***FINANCE REPORT***  
***4 MONTHS TO 31 JULY 2019***

### Overall Position

The Trust is reporting a year to date deficit at Month 4 of £4.169m and a forecast year end deficit of £11.708m.

The Trust has been set a savings target of £7.688m for 2019-20. This figure consisted of £6.620m Trust Savings, £0.945m in respect of Regional Pharmacy Savings and £0.123m Car Parking Charge target.

In addition to this, the Trust has to achieve the balance of 2018-19 savings that, although were achieved in year, were not achieved on a recurrent basis. This amounts to another £6.628m. Therefore the Trust will have to achieve a total savings of £14.316m in 2019-20. To date the Trust has plans in place to address £8.439m through a range of low/no impact measures.

The Trust also has to address a number of unfunded pressures from 2018-19 as well as 2019-20 emerging pressures. The Trust is therefore forecasting an in year deficit of £11.708m for 2019-20. The recurrent deficit is £26.064.

### Draft Financial Strategy

The Trust has been required to submit a Draft Financial Strategy to the Health and Social Care Board (HSCB), clearly setting out the financial position of the Trust.

The Trusts forecast deficit is attributable to the following factors:-

	Current Year £m	Current Year £m
Savings not achieved recurrently	5.877	13.419
Demography funding not received recurrently	0.000	3.688
Other funding not received recurrently for existing and emerging pressures	5.831	8.957
<b>Total</b>	<b>11.708</b>	<b>26.064</b>

The Trusts financial position has been exacerbated by the fact that it is required to achieve the balance of the previous year's savings (£6.628m) as well as the 19-20 savings target of £7.688.

Whilst the Trust is forecasting an in year deficit, it will be expected to achieve financial breakeven. If no further funding is available, the Trust will have to address the gap with additional savings of this amount. As the Trust has already identified £8.439m of low impact measures, it is likely that the remaining measures will have a major impact on the organisation.

### 2019-20 Savings requirement

The Trust has a savings requirement of £14.316m, which comprises of the following:-

	£m
18-19 Savings Target not achieved recurrently	6.628
19-20 Trust Savings	6.620
Regional Pharmacy Savings	0.945
Car Parking Charges	0.123
<b>Total Savings Requirement 2019-20</b>	<b>14.316</b>

To date the Trust has identified £8.439m of low/no impact measures comprising of:-

Trust Savings Plans	In Year Effect £m	Full Year Effect £m
Natural Delays on Service Developments	2.000	0.000
Natural Delays on Recruitment	1.775	0.000
Other Efficiency/Productivity measures	3.978	0.320
Regional Pharmacy Savings (18-19 & 19-20)	0.686	0.577
<b>Total</b>	<b>8.439</b>	<b>0.897</b>

This level of savings is comparable to that achieved in previous years (2018-19 £8.9m, 2017-18 £8.75m). If the Trust is required to achieve further savings through additional

measures, they are likely to have major impacts on service delivery and staff.

### Key Assumptions/Risks

- 19-20 pay award will be funded in full
- Cost of increased employers pension contribution will be funded in full
- The cost of resettling clients from Muckamore will be funded
- The Trust is assuming that there are no new emerging pressures, particularly in respect of emergency activities.
- The Trust is assuming that allocations for a range of measures i.e. non pay, national living wage, developments are sufficient to cover costs
- Potential re-grading of staff band 2/3. The Trust now has no financial cover for any widespread grading changes (particularly Band 2 to Band 3) linked to regional decisions (likely to be 20-21 pressure)
- Any surplus funding in respect of Transformation projects will be retracted by DoH/HSCB.
- Cost projections remain as forecast for the remainder of the financial year.
- There may be additional costs in respect of EU Exit preparations.
- There will be no major accounting changes or provisions at year end.

***Conclusion***

The Trust has submitted its Draft Financial Strategy to HSCB, forecasting an in year deficit of £11.708m. The Trust will continue dialogue with HSCB/DoH in respect of this position. Whilst the Trust is forecasting an in year deficit, it will be expected to achieve financial breakeven. If no further funding is available, the Trust will have to address the gap with additional savings of this amount, which are likely to have a major impact on services and staff.

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Paul Morgan

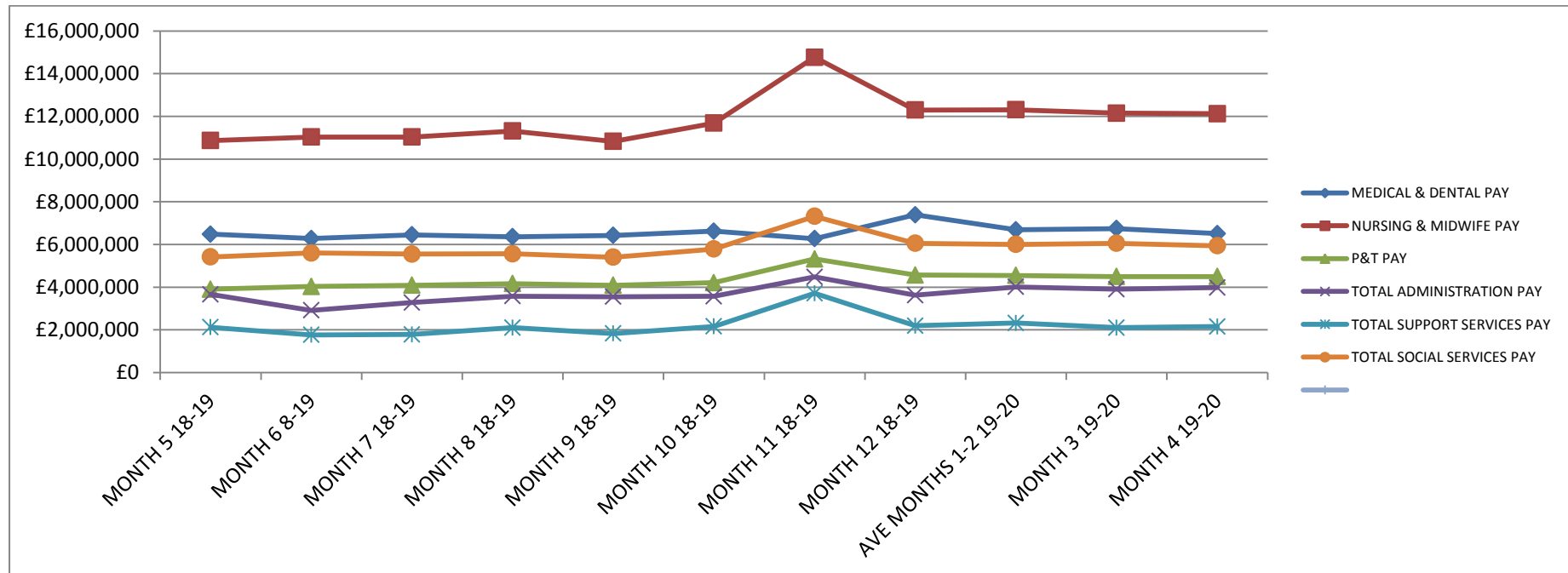
**Summary Financial Position**

The Trust has reported a deficit at month 4 of £4.2m a forecast year end deficit of £11.7m.

Period ended:	Reported( Surplus) / Deficit £m	Forecast year end (surplus) /Deficit £m
31 <sup>st</sup> May 2019	N/A	N/A
30 <sup>th</sup> June 2019	3.2	11.7
31 <sup>st</sup> July 2019	4.2	11.7

**Overall Salaries and Wages Spend**

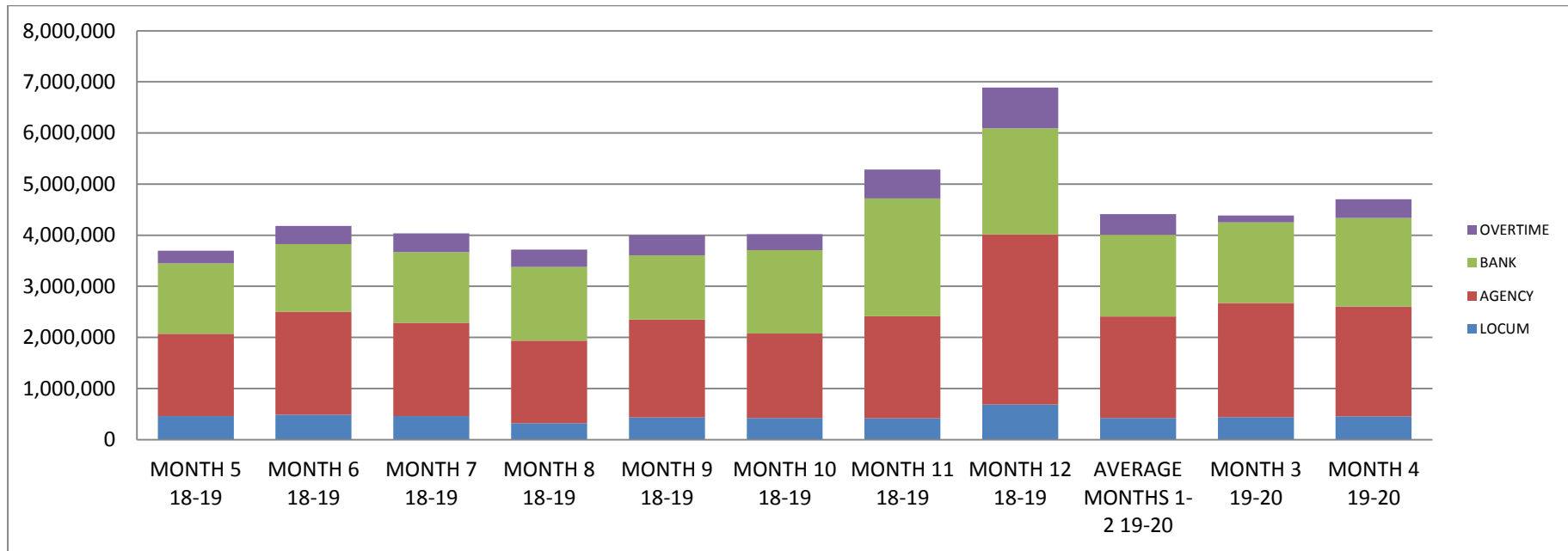
The graph below illustrates the stable trends in payroll spend across the Trust – our top six spend areas in terms of salaries and wages are shown below – representing over 90% of our total monthly pay bill:



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. The increase in Salaries and wages costs in month 11 18-19 is largely attributable to the payment of the Agenda for Change (AFC) pay award and arrears of approximately £9.6m. Employer’s pension contributions also increased in 19-20 from 16.3% to 22.5%. Payroll costs are affected by whether there are four or five pay days for weekly paid staff (months 3 and 4 were both 4 week months).

**Flexible Staffing Costs**

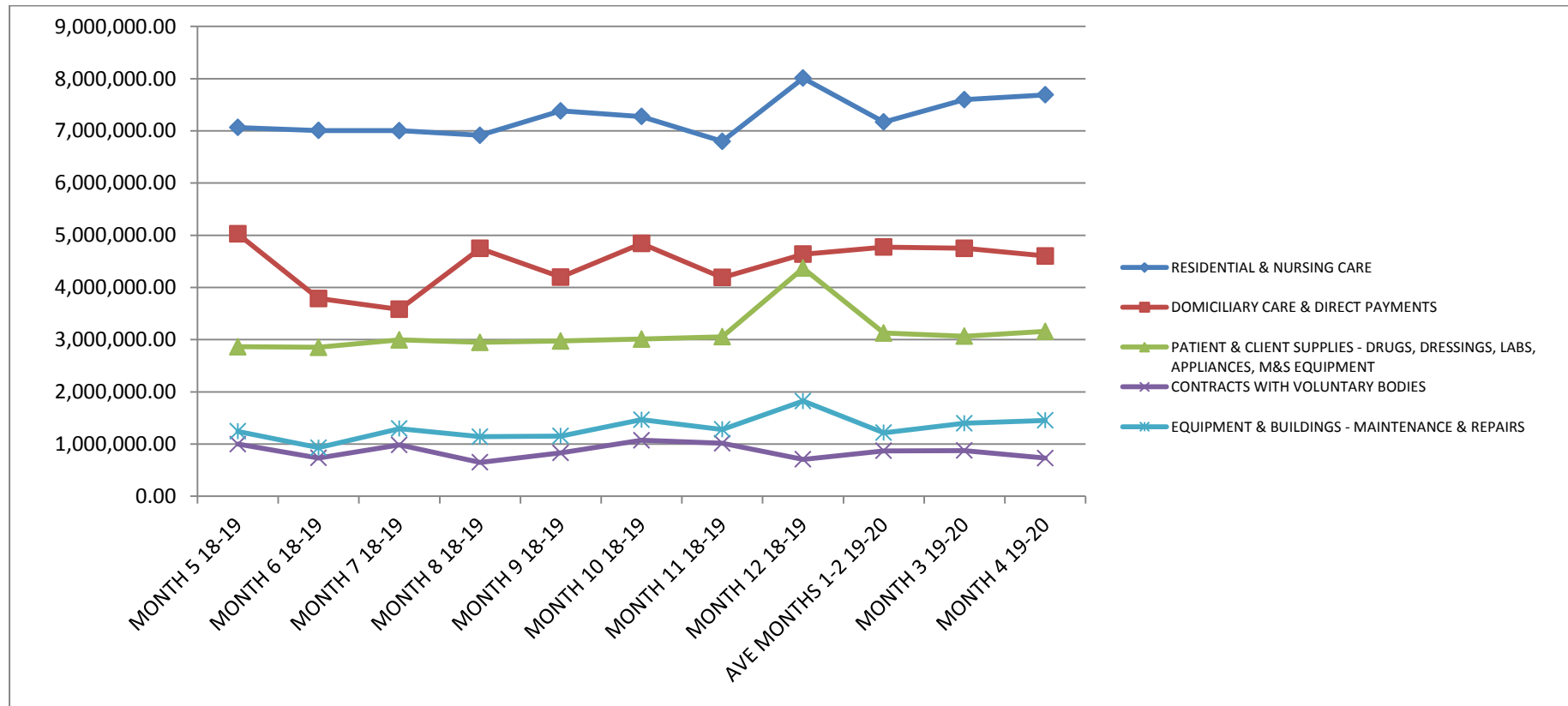
An area which we have particularly focused on to deliver out workforce elements of our savings plans in the past has been our reliance on flexible staffing. The total spend on these areas each month is highlighted below: (figures have been adjusted to remove anomalies created by 4 and 5 week months. (months 3 and 4 were both 4 week months).



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. The increase in bank and overtime costs in month 11 18-19 is largely due to the payment of AFC pay award and arrears. Month 12 18-19 also includes year-end accruals including an accrual of £1m in respect of arrears for on contract agency staff due to the AFC pay award.

**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 (months 3 and 4 were both 4 week months). 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. Nursing, Residential and Domiciliary care rates have also been increased with effect from 1st April 2019.





*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	1,095	1,437	2,532	3,935
CHILDRENS SERVICES	61	1,495	1,556	3,640
PRIMARY & ELDERLY SERVICES	(304)	672	368	(1,490)
FINANCE & ESTATES	114	59	173	988
HOSPITAL SERVICES	1,844	3,834	5,678	9,024
PLANNING,IT & PERF MANGEMENT	(149)	415	266	(427)
HUMAN RESOURCES & CORP AFFAIRS	311	588	899	2,488
	2,972	8,500	11,472	<b>18,158</b>
COST PRESSURES/SAVINGS/INCOME ANTICIPATED			(7,303)	(6,450)
(SURPLUS)/DEFICIT			4,169	<b>11,708</b>
FURTHER TRUST SAVINGS – TO BE IDENTIFIED				0
YEAR END PROJECTION				<b>11,708</b>

### Individual Directorate Breakdown

ADULT SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
DIR ADULT & PSYCHOLOGY SERV	(151,932)	(366,936)	(518,868)
DISABILITY	239,293	1,606,475	1,845,768
MENTAL HEALTH	785,754	182,595	968,349
PRISON SERVICES	222,223	14,438	236,661
TOTAL	1,095,338	1,436,572	2,531,910

### Commentary

The Directorate is reporting a deficit at month 4 of £2,532K and a forecast year end deficit of £3,935K.

CHILDREN'S SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
CARED FOR CHILDREN	240,311	1,397,990	1,638,301
CHILDRENS HEALTH	(115,906)	(39,175)	(155,081)
DIR. CHILD SERV & SWK GOV.	(8,924)	(247,112)	(256,036)
SOCIAL WORK QUALITY IMPROVEMENT, PRACTICE DEVELOPMENT & WORKFORCE	(31,684)	25,498	(6,186)
PREVENTION POPULATION HEALTH	(30,274)	(11,787)	(42,061)
SAFEGUARDING CHILDREN	35,055	443,384	478,439
SURESTART	(27,179)	(73,878)	(101,057)
TOTAL	61,399	1,494,920	1,556,319

### Commentary

The Directorate is reporting a deficit at month 4 of £1,556K and a forecast year end deficit of £3,640K.

<b>PRIMARY CARE AND ELDERLY SERVICES</b>	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
ALLIED HEALTH PROFESSIONALS	(221,498)	96,889	(124,609)
CARE PROVISION	(58,750)	(178,615)	(237,365)
DEMENTIA SERVICES	19,933	(2,502)	17,431
DIRECTORS & ASSISTANTS	11,259	308,706	319,965
ELDERLY SERVICES	126,369	462,054	588,423
PRIMARY CARE	(181,199)	(14,462)	(195,661)
<b>TOTAL</b>	<b>(303,886)</b>	<b>672,070</b>	<b>368,184</b>

### Commentary

The Directorate is reporting a deficit at month 4 of £368K and a forecast year end surplus of £1,490K.

<b>CORPORATE DIRECTORATES</b>	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
FINANCE AND ESTATES	113,564	59,190	172,754
PLANNING,IT & PERF MANGEMENT	(148,849)	414,812	265,963
HUMAN RESOURCES & CORP AFFAIRS	310,579	587,574	898,153
<b>TOTAL</b>	<b>275,294</b>	<b>1,061,576</b>	<b>1,336,870</b>

### **Commentary**

Overall the Corporate Directorates are reporting a deficit at month 4 of £1,337K and a forecast year-end deficit of £3,049K.

HOSPITAL SERVICES	S&W variance YTD	G&S variance YTD	Total variance YTD
	£	£	£
BANK NURSES SE TRUST	155	6,184	6,339
DIR. OF GENERAL MEDICINE	876,494	646,469	1,522,963
DIRECTORATE OF SURGERY	38,687	1,351,423	1,390,110
ELECTIVE CARE REFORM	41,286	12,513	53,799
EMERGENCY CARE REFORM	0	£0	0
OPERATIONAL MEDICAL SUPPORT	(1,358,114)	119,061	(1,239,053)
UNSCHEDULED CARE	1,748,221	173,975	1,922,196
WOMEN AND CHILD HEALTH	497,173	1,524,380	2,021,553
TOTAL	1,843,902	3,834,005	5,677,907

### Commentary

The Directorate is reporting a deficit at month 4 of £5,678K and a year-end forecast deficit of £9,024K.

**Capital Expenditure Month 4**

The Department of Health's (DoH) 2019/20 Capital Resource Limit (CRL) of £38.339m has increased to £38.389m as at 6<sup>th</sup> August 2019. This Capital Resource Limit increase of £0.050m comprises of Tranche 2 ehealth funding.

The general capital funding of £8.040m 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 Trust's 2019/20 Capital Resource Limit together with expenditure of £7.928m as at 31 July 2019 and forecast to 31 March 2020 of £38.389m. Cumulative expenditure in quarters 1-2 reflect planned low spend which will increase during quarters 3 and 4 of 2019/20.

	<b>2019/20 Capital Resource Limit as at 5 July 2019 £'000</b>	<b>Changes in the 2019/20 CRL £'000</b>	<b>2019/20 Capital Resource Limit as at 6 August 2019 £'000</b>	<b>Expenditure to 31/7/19 £'000</b>	<b>Forecast to 31/3/20 £'000</b>
Ulster Hospital Phase B	27,385	0	27,385	7,090	27,385
Other Specific Schemes	2,914	50	2,964	175	2,964
General Capital	8,040	0	8,040	663	8,040
<b>Total</b>	<b>38,339</b>	<b>50</b>	<b>38,389</b>	<b>7,928</b>	<b>38,389</b>