

***SOUTH EASTERN HSC TRUST***  
***FINANCE REPORT***  
***5 MONTHS TO 31 AUGUST 2019***

### Overall Position

The Trust is reporting a year to date deficit at Month 5 of £1.6m and a forecast year end deficit of £3.0m. This represents an improvement from the month 4 position, which forecast a year end deficit of £11.7m.

The improvement in position is due to the following factors:-

|   | £m      | £m      |
|---|---------|---------|
| Month 4 deficit                             |         | 11.708  |
| Indicative funding for identified pressures | (5.276) |         |
| Additional low impact savings               | (2.803) |         |
| Reduction in autoenrolment pressure         | (0.629) |         |
|   |         | (8.708) |
| Forecast Deficit                            |         | 3.000   |

The Department of Health/Health and Social Care Board have confirmed that non-recurrent funding of £5.276m is available to address identified pressures. In addition the Trust has identified a further £2.803m in low impact savings. The pressure in respect of autoenrolment has reduced by £629k due to a high proportion of staff opting back out of the pension scheme in July/August.

Whilst the Trust is forecasting an in year deficit of £3.000m for 2019-20, the recurrent deficit is £25.225m.

### 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<br>£m | Current Year<br>£m |
|--|--------------------|--------------------|
| Savings not achieved recurrently   | 3.074              | 13.419             |
| Demography funding not received recurrently                                | 0.000              | 3.688              |
| Other funding not received recurrently for existing and emerging pressures | (0.074)            | 8.118              |
| <b>Total</b>   | <b>3.000</b>       | <b>25.225</b>      |

Whilst the Trust is forecasting an in year deficit of £3.000m, it will be expected to achieve financial breakeven. The Trust is actively scoping additional savings opportunities with a view to achieving financial breakeven. The Trust will continue dialogue with HSCB/DoH in respect of this position.

## 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 £11.242m of low/no impact measures comprising of:-

| Trust Savings Plans                       | In Year Effect<br>£m | Full Year Effect<br>£m |
|---|----------------------|------------------------|
| Natural Delays on Service Developments    | 3.244                | 0.000                  |
| Natural Delays on Recruitment             | 1.775                | 0.000                  |
| Other Efficiency/Productivity measures    | 5.537                | 0.320                  |
| Regional Pharmacy Savings (18-19 & 19-20) | 0.686                | 0.577                  |
| <b>Total</b>                              | <b>11.242</b>        | <b>0.897</b>           |

This level of savings is higher than 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 significant 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 it will received £542k funding in respect of Psychological Therapies Waiting Lists.
- 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 £3.0m. 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. The Trust is actively scoping additional savings opportunities with a view to achieving financial breakeven.

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Paul Morgan

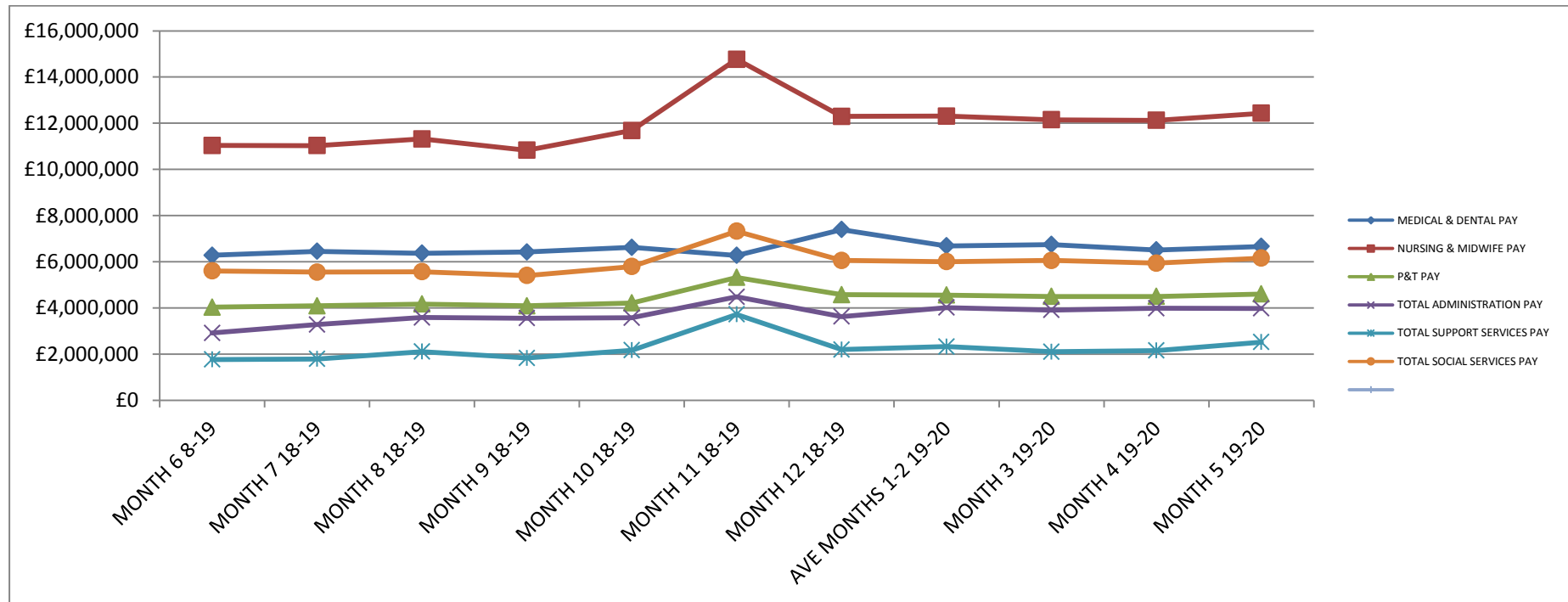
**Summary Financial Position**

The Trust has reported a deficit at month 5 of £1.6m a forecast year end deficit of £3.0m.

| Period ended:                | Reported( Surplus)<br>/ Deficit<br>£m | Forecast year end<br>(surplus) /Deficit<br>£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  |
| 31 <sup>st</sup> August 2019 | 1.6                                   | 3.0   |

**Overall Salaries and Wages Spend**

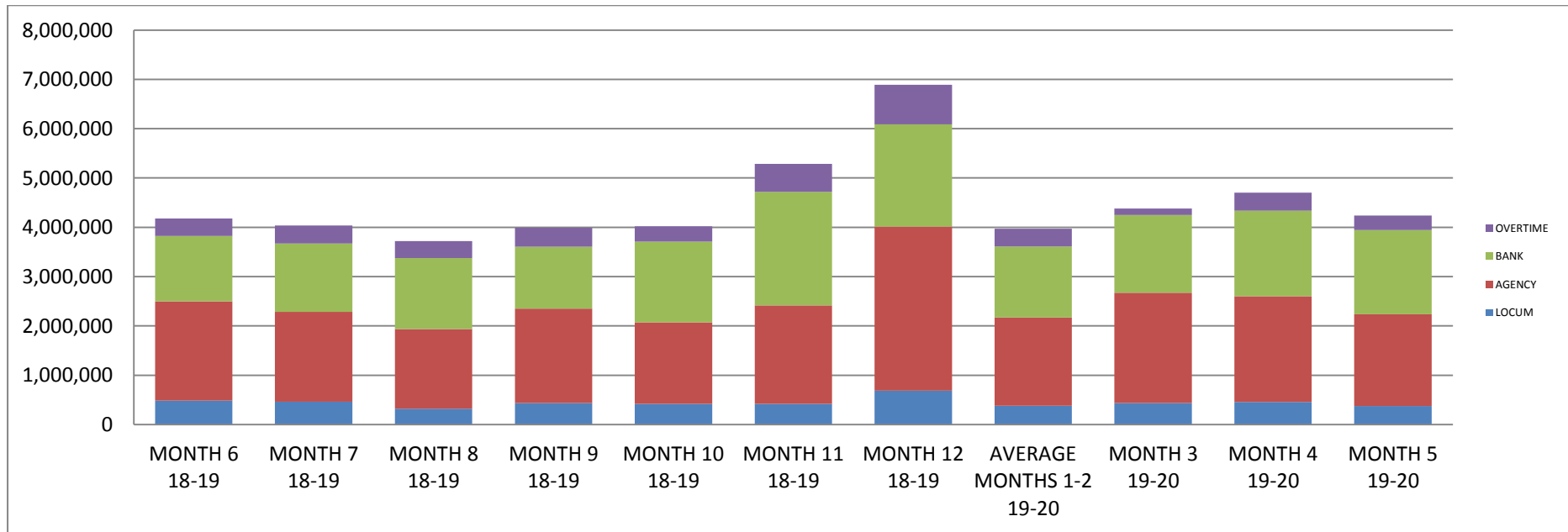
The graph below illustrates the stable trends in payroll spend across the Trust – our top six spend areas in terms of salaries and wages are shown below – representing over 90% of our total monthly pay bill:



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. 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 (month 4 was a 4 week month; month 5 was a 5 week month).

**Flexible Staffing Costs**

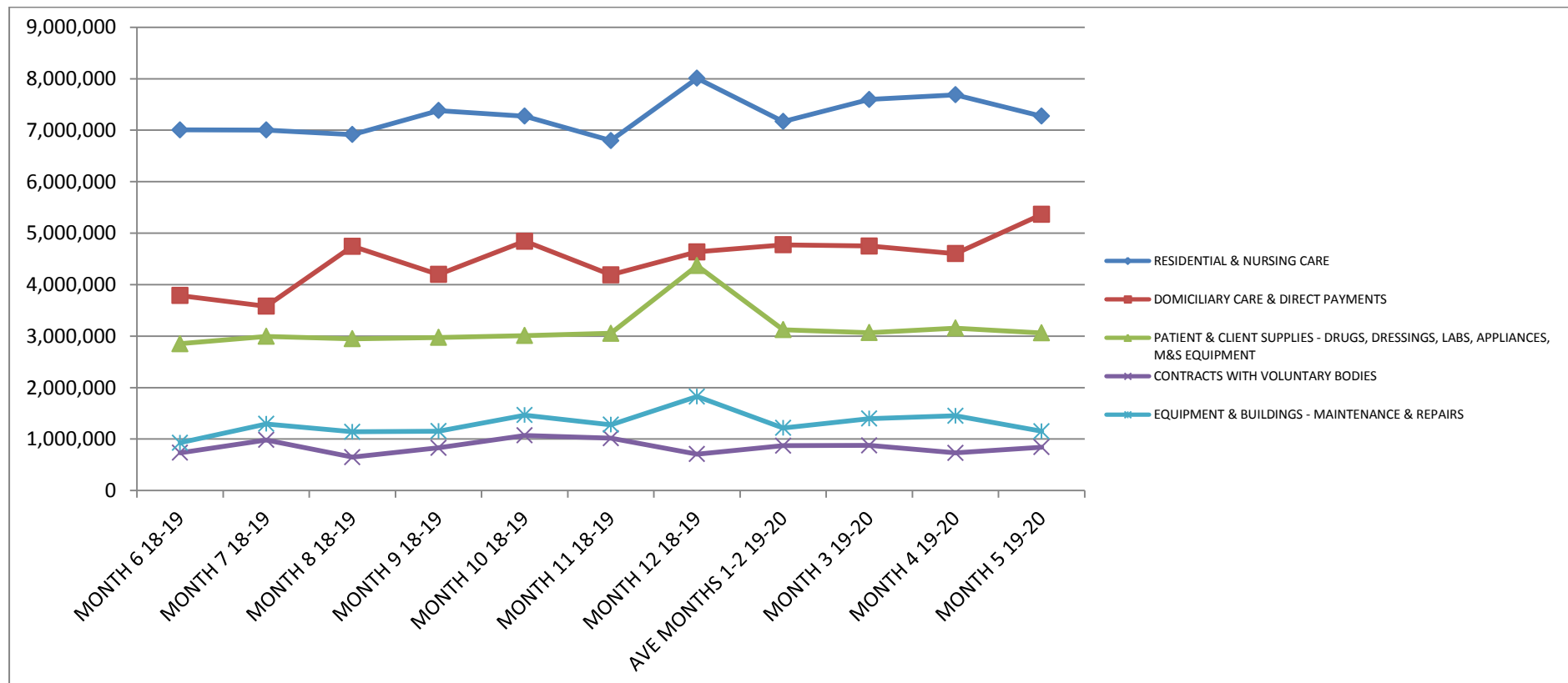
An area which we have particularly focused on to deliver out workforce elements of our savings plans in the past has been our reliance on flexible staffing. The total spend on these areas each month is highlighted below: (figures have been adjusted to remove anomalies created by 4 and 5 week months. (month 4 was a 4 week month; month 5 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 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 (month 4 was a 4 week month, 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. 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<br>YEAR END POSITION |
|--|---------------------------------|-----------------------|----------|---|
|  | SALARIES<br>AND<br>WAGES        | GOODS AND<br>SERVICES | TOTAL    |   |
|  | £'000                           | £'000                 | £'000    | £'000                                     |
| ADULT & PRISON SERVICES                      | 1,459                           | 1,007                 | 2,466    | 3,953                                     |
| CHILDRENS SERVICES                           | (3)                             | 1,253                 | 1,250    | 3,264                                     |
| PRIMARY & ELDERLY SERVICES                   | (961)                           | 522                   | (439)    | (1,426)                                   |
| FINANCE & ESTATES                            | 108                             | 552                   | 660      | 1,155                                     |
| HOSPITAL SERVICES                            | 2,274                           | 4,815                 | 7,089    | 9,088                                     |
| PLANNING,IT & PERF MANGEMENT                 | (202)                           | 359                   | 157      | (470)                                     |
| HUMAN RESOURCES & CORP AFFAIRS               | 295                             | 627                   | 922      | 2,038                                     |
|  | 2,970                           | 9,135                 | 12,105   | <b>17,602</b>                             |
| COST PRESSURES/SAVINGS/INCOME<br>ANTICIPATED |                                 |                       | (10,538) | (14,602)                                  |
| (SURPLUS)/DEFICIT                            |                                 |                       | 1,567    | <b>3,000</b>                              |
| FURTHER TRUST SAVINGS – TO BE IDENTIFIED     |                                 |                       |          | 0   |
| YEAR END PROJECTION                          |                                 |                       |          | <b>3,000</b>                              |

**Individual Directorate Breakdown**

| <b>ADULT SERVICES</b>       | <b>S&amp;W variance<br/>YTD</b> | <b>G&amp;S variance<br/>YTD</b> | <b>Total variance<br/>YTD</b> |
|-----------------------------|---------------------------------|---------------------------------|-------------------------------|
|                             |                                 |                                 |                               |
| DIR ADULT & PSYCHOLOGY SERV | 57,939                          | (445,902)                       | (387,963)                     |
| DISABILITY                  | 270,007                         | 1,276,731                       | 1,546,738                     |
| MENTAL HEALTH               | 910,884                         | 144,026                         | 1,054,910                     |
| PRISON SERVICES             | 220,582                         | 33,124                          | 253,706                       |
| <b>TOTAL</b>                | <b>1,459,412</b>                | <b>1,007,979</b>                | <b>2,467,391</b>              |

**Commentary**

The Directorate is reporting a deficit at month 5 of £2,467K and a forecast year end deficit of £3,953K.

| CHILDREN'S SERVICES   | S&W variance<br>YTD | G&S variance<br>YTD | Total variance<br>YTD |
|---|---------------------|---------------------|-----------------------|
|   | £                   | £                   | £                     |
| CARED FOR CHILDREN  | 281,530             | 1,077,056           | 1,358,586             |
| CHILDRENS HEALTH  | (140,263)           | (46,320)            | (186,583)             |
| DIR. CHILD SERV & SWK GOV.  | (13,262)            | (309,753)           | (323,015)             |
| SOCIAL WORK QUALITY<br>IMPROVEMENT, PRACTICE<br>DEVELOPMENT & WORKFORCE | (46,850)            | 25,317              | (21,533)              |
| PREVENTION POPULATION HEALTH  | (66,012)            | (23,368)            | (89,380)              |
| SAFEGUARDING CHILDREN   | (9,833)             | 480,104             | 470,271               |
| SURESTART   | (8,066)             | 50,711              | 42,645                |
| TOTAL   | (2,756)             | 1,253,747           | 1,250,991             |

### Commentary

The Directorate is reporting a deficit at month 5 of £1,251K and a forecast year end deficit of £3,264K.

| <b>PRIMARY CARE AND ELDERLY SERVICES</b> | S&W variance YTD | G&S variance YTD | Total variance YTD |
|--|------------------|------------------|--------------------|
|  | £                | £                | £                  |
| ALLIED HEALTH PROFESSIONALS              | (426,469)        | 141,475          | (284,994)          |
| CARE PROVISION                           | (380,047)        | (278,903)        | (658,950)          |
| DEMENTIA SERVICES                        | 15,372           | (7,373)          | 7,999              |
| DIRECTORS & ASSISTANTS                   | 19,327           | 407,105          | 426,432            |
| ELDERLY SERVICES                         | 190,061          | 264,505          | 454,566            |
| PRIMARY CARE                             | (378,760)        | (4,418)          | (383,178)          |
| <b>TOTAL</b>                             | <b>(960,516)</b> | <b>522,391</b>   | <b>(438,125)</b>   |

### Commentary

The Directorate is reporting a surplus at month 5 of (£438K) and a forecast year end surplus of (£1,426K).

| <b>CORPORATE DIRECTORATES</b>  | S&W variance<br>YTD | G&S variance<br>YTD | Total variance<br>YTD |
|--------------------------------|---------------------|---------------------|-----------------------|
|                                | £                   | £                   | £                     |
| FINANCE AND ESTATES            | 108,408             | 552,497             | 660,905               |
| PLANNING,IT & PERF MANGEMENT   | (202,418)           | 359,424             | 157,006               |
| HUMAN RESOURCES & CORP AFFAIRS | 295,097             | 626,690             | 921,787               |
| TOTAL                          | 201,087             | 1,538,611           | 1,739,698             |

### **Commentary**

Overall the Corporate Directorates are reporting a deficit at month 5 of £1,740K and a forecast year-end deficit of £2,723K.

| HOSPITAL SERVICES           | S&W variance<br>YTD | G&S variance<br>YTD | Total variance<br>YTD |
|-----------------------------|---------------------|---------------------|-----------------------|
|                             | £                   | £                   | £                     |
| BANK NURSES SE TRUST        | 0                   | 9,416               | 9,416                 |
| DIR. OF GENERAL MEDICINE    | 1,210,185           | 873,067             | 2,083,252             |
| DIRECTORATE OF SURGERY      | (79,949)            | 1,651,661           | 1,571,712             |
| ELECTIVE CARE REFORM        | (4,860)             | 14,049              | 9,189                 |
| EMERGENCY CARE REFORM       | 0                   | 0                   | 0                     |
| OPERATIONAL MEDICAL SUPPORT | (1,560,423)         | 155,032             | (1,405,391)           |
| UNSCHEDULED CARE            | 2,156,300           | 290,600             | 2,446,900             |
| WOMEN AND CHILD HEALTH      | 552,518             | 1,821,649           | 2,374,167             |
| TOTAL                       | 2,273,771           | 4,815,474           | 7,089,245             |

### Commentary

The Directorate is reporting a deficit at month 5 of £7,089K and a year-end forecast deficit of £9,088K.

### Capital Expenditure Month 5

The Department of Health's (DoH) 2019/20 Capital Resource Limit (CRL) of £38.389m has increased to £38.506m as at 30<sup>th</sup> August 2019. This Capital Resource Limit increase of £0.117m comprises of Task & Finish funding associated with Mental Health in-patient facilities across the Trust.

Specific capital funding of £3.081m relates to £1m Transformation Projects, £0.890m Car Parking, £0.541m ICT, £0.473m Invest-2-Save, £117k Task & Finish associated with in-patient Mental Health facilities and £0.060m GovTech Phase 1. 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.

In anticipation of an autumn monitoring round, the DoH requested Trusts to make a submission of general capital bids, which the Trust submitted 5<sup>th</sup> September 2019, in line with DoH requirement. The Trust now awaits the DoH outcome.

The following table summarises the Trust's 2019/20 Capital Resource Limit together with expenditure of £9.4m as at 31 August 2019 and forecast to 31 March 2020 of £38.506m. Cumulative expenditure in quarters 1-2 reflect planned low spend which will increase during quarters 3 and 4 of 2019/20.

|                         | 2019/20 Capital Resource Limit as at 6 August 2019<br>£'000 | Changes in the 2019/20 CRL<br>£'000 | 2019/20 Capital Resource Limit as at 30 August 2019<br>£'000 | Expenditure to 31/8/19<br>£'000 | Forecast to 31/3/20<br>£'000 |
|-------------------------|---|-------------------------------------|--|---------------------------------|------------------------------|
| Ulster Hospital Phase B | 27,385  | 0                                   | 27,385   | 8,427                           | 27,385                       |
| Other Specific Schemes  | 2,964   | 117                                 | 3,081  | 183                             | 3,081                        |
| General Capital         | 8,040   | 0                                   | 8,040  | 808                             | 8,040                        |
| <b>Total</b>            | <b>38,389</b>   | <b>117</b>                          | <b>38,506</b>  | <b>9,418</b>                    | <b>38,506</b>                |