

SOUTH EASTERN HSC TRUST
FINANCE REPORT
2 MONTHS TO 31 MAY 2020

Overall Position

As at 31st May 2020, the Trust had not received its opening allocation from DoH/HSCB and has been advised to report on expenditure only. This is similar to previous years.

The Trust has, however received an indicative allocation schedule and is required to submit its Financial Plan for 20-21 for the 30th June 20. This will be reflected and reported on in the Trust's Month 3 position.

2020-21 Savings requirement

The Indicative allocation includes a savings target for 20-21 of £8.645m. This includes £7.700m of Trust Savings and £0.945m of Pharmacy Savings. In 2019-20, the Trust delivered a total of £12.372m low impact savings, most of which were non recurrent in nature. The Trust also has a balance of savings not achieved recurrently in 2018-19 and 19-20 carried forward, making the Trust's Saving requirement for 20-21 in the region of £22m as detailed below:-

	£m
18-19 Savings Target not achieved recurrently	6.0
19-20 Trust Savings not achieved recurrently	7.4
20-21 Trust Savings	7.7
Regional Pharmacy Savings	0.9
Total Savings Requirement 2020-21	22.0

The Trust will also have additional unfunded pressures in addition to this, which are being quantified as part of the Financial Plan.

Therefore the Trust will be faced with a very challenging financial position in 20-21 and it is likely that financial breakeven will not be achieved by low impact measures only.

Analysis of Expenditure – Month 2

Tables 1-3 below; illustrate the expenditure trends over a rolling 12 month period. It is normal for there to be expenditure spikes in month 12 due to year end accruals and one-off transactions that occur at year-end. Month 12 Salaries and Wages expenditure also includes the Agenda for Change (AFC) pay award for 19-20 and associated arrears and also an accrual of £1.9m in respect of the Medical and Dental pay award (due to be paid in 20-21).

Months 1 and 2 have been averaged to remove the impact of opening accruals relating to prior year.

The Trust is also required as part of the monthly financial monitoring process, to identify and report on Covid-19 expenditure.

Covid-19 Expenditure

Additional expenditure in respect of Covid-19 is to be separately identified and monitored in 20-21. To date the Trust has identified approximately £9.9m of expenditure directly attributable to Covid-19 related activities. This covers the following main areas of expenditure:-

	Cumulative Months 1-2 £m
PPE	2.9
Workforce costs	2.5
Support to Independent Sector	1.8
Loss of Income (car parking/catering)	0.4
Other Expenditure*	2.2
Total	9.9

Other expenditure includes:-

- Consumables/Oxygen
- Estates related work
- Additional equipment
- Deep cleaning
- Testing

The Covid-19 related expenditure is included in the tables below.

Salaries and Wages – Table 1

Salaries a wages expenditure represents approximately 60% of the Trusts annual expenditure.

Months 1 and 2 are indicating that expenditure for salaries and wages costs have increased by an average of £2.25m per month. Approximately £1m of this increase is attributable to the 20-21 AFC pay award. Pay costs have also increased by approximately £1.25m for Covid-19 related activities.

Flexible Staffing – Table 2

Whilst overall the trend in flexible staffing costs appears to be relatively stable over the last twelve months it is important to note that there has been an increase in overtime costs due to Covid-19.

Goods and Services – Table 3

Table 3 illustrates the expenditure trends over the past twelve months. Included in this expenditure is approximately £3.5m per month of Covid-19 expenditure. This relates primarily to the increase in the use of Personal Protective Equipment (PPE) of £1.5m per month an £0.9m of financial support to the Independent Sector. These costs are reflected in the Residential and Nursing Care and Domiciliary Care lines on the table.

In Summary

It is always difficult to draw inferences from just two months expenditure. It is additionally difficult due to the impact of Covid-19 and future costs of rebuilding services and a potential second surge later in the year. The Trust will continue to monitor and report on expenditure in the coming months.

Financial Outlook 20-21

The Trust has received an indicative allocation schedule for 20-21 and is required to submit its financial plan for 30th June 20. The Trust is currently working through the indicative allocations to determine its opening financial position in 20-21.

The Trust will be including some high level assumptions in the plan which will include the following:-

Key Assumptions/Risks

- Trust will be fully funded for those Transformation Projects contained within schedules A-C
- Additional costs in respect of Covid-19 and rebuilding of services will be funded
- 20-21 pay award will be funded
- There may be additional costs in respect of EU Exit preparations.
- There will be no major accounting changes or provisions at year end.

Conclusion

20-21 will be an extremely challenging year. The unpredictable nature of the impact of Covid-19 will make financial management difficult. The Trust also has a Savings requirement of approximately £22m for the 20-21 year.

Therefore the Trust will be faced with a very challenging financial position in 20-21 and it is likely that financial breakeven will not be achieved by low impact measures only.

Paul Morgan

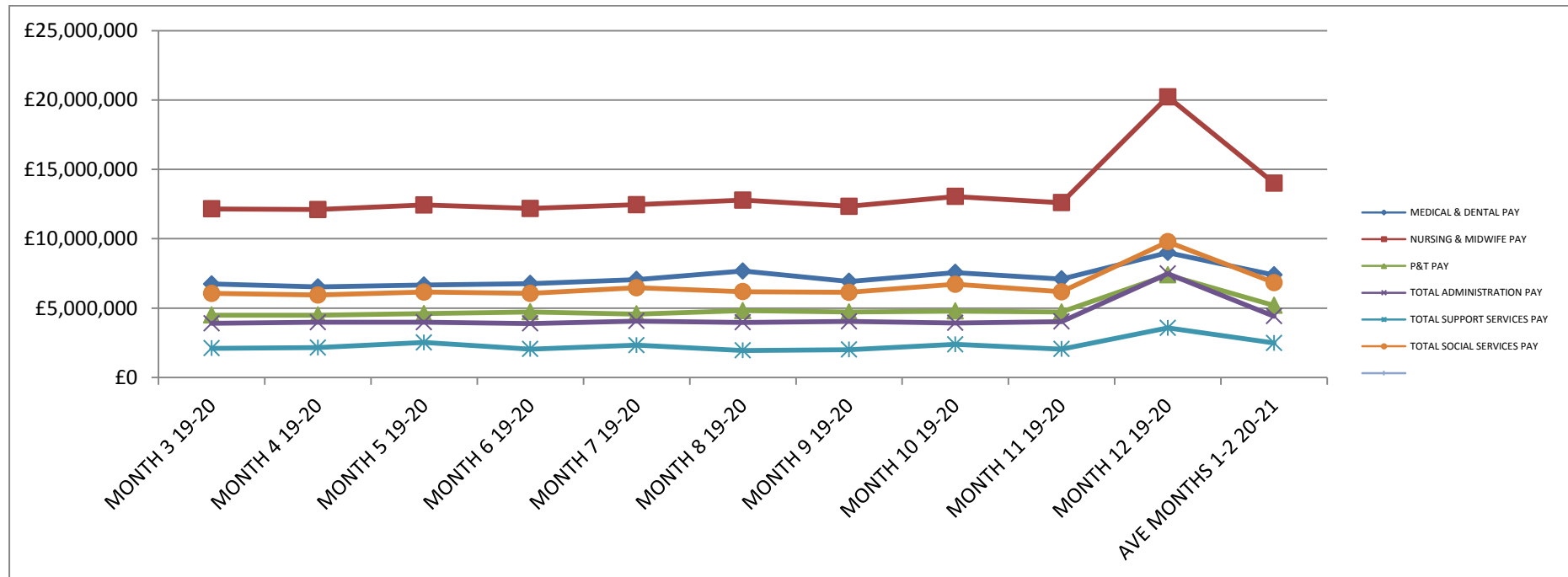
Summary Financial Position

The Trust is not reporting a financial position at month 2.

Period ended:	Reported(Surplus) / Deficit £m	Forecast year end (surplus) /Deficit £m
31 st May 2020	N/A	N/A

Table 1 - Overall Salaries and Wages Spend

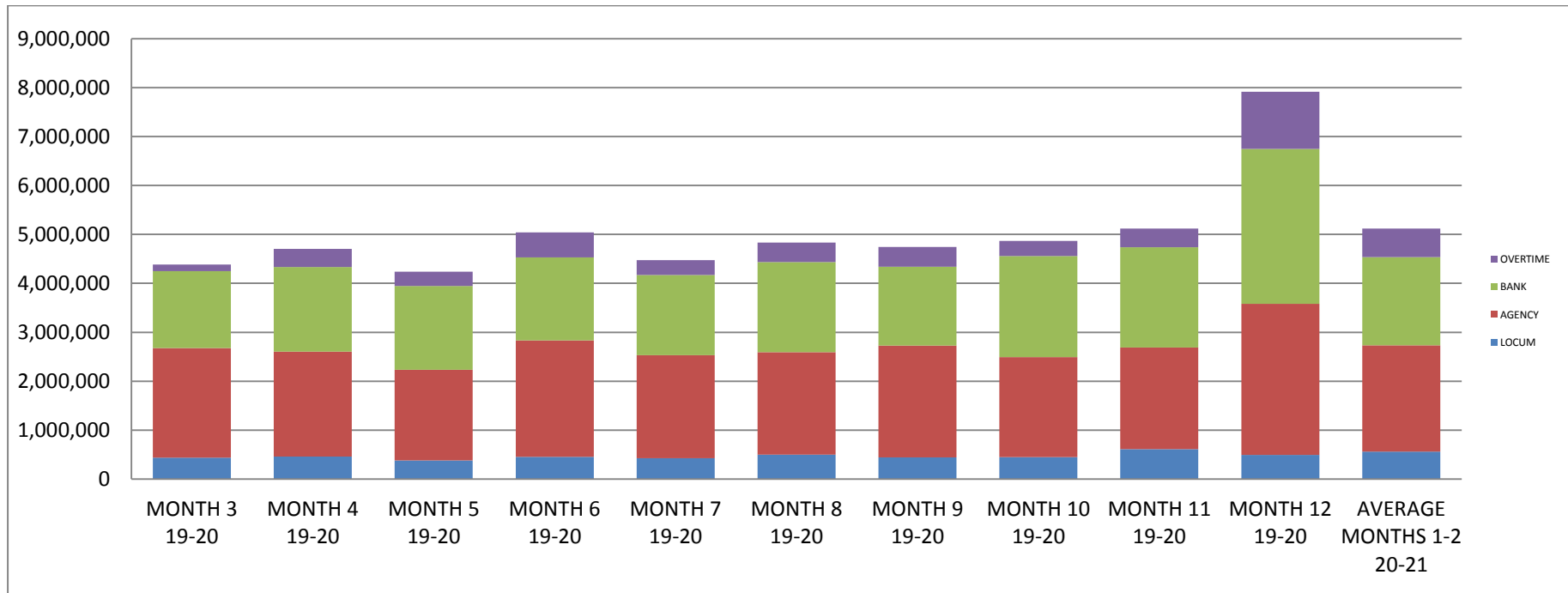
The graph below illustrates the stable trends in payroll spend across the Trust for a rolling period of twelve months – our top six spend areas in terms of salaries and wages are shown below – representing over 90% of our total monthly pay bill:



Payroll costs are affected by whether there are four or five pay days for weekly paid staff (month 1 was a five week month and month 2 a four week month).

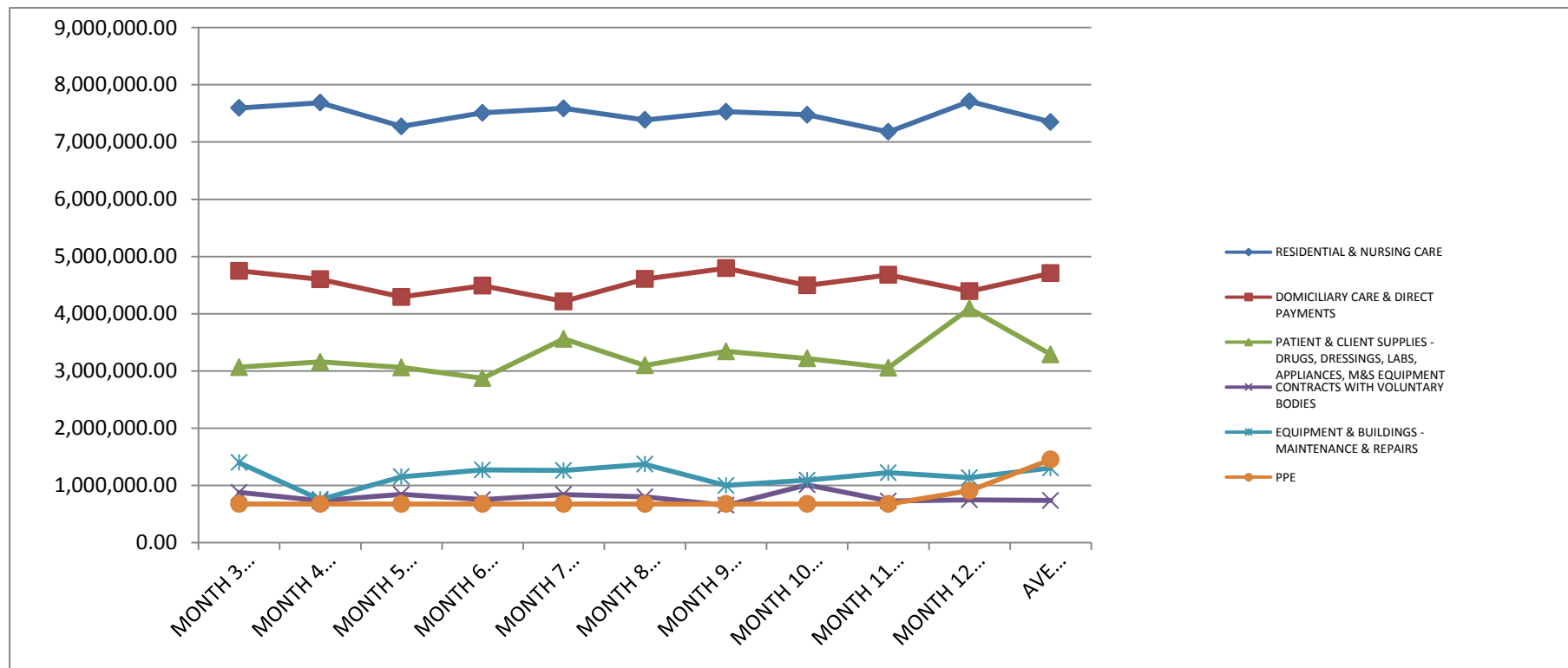
Flexible Staffing Costs

The graph below illustrates the trend in flexible payroll costs for a rolling period of twelve months. 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 1 was a five week month and month 2 a four week month).



Goods and Services Spend

Almost 80% of the Trust’s monthly goods and services can be represented in the six categories below – monthly trends in this expenditure have remained relatively stable. Domiciliary Care expenditure is impacted by 4 and 5 weekly months and has been adjusted to provide an average monthly figure. (month 1 was a five week month and month 2 a four week month).



Capital Expenditure Month 2

The Department of Health (DoH) released the Trust's initial 2020/21 Capital Resource Limit (CRL) of £37.544m on 24 April 2020. This CRL has subsequently increased by £0.621m for specific ICT projects, generating a total CRL of £38.165m as at 12 May 2020.

Although the DoH released 2020/21 Phase B funding of £28.988m on 24 April 2020, CPD-Health Projects have submitted a reduced profile to the DoH and the Trust awaits the associated updated CRL.

The general capital funding of £6.006m has been allocated to a range of projects across the various Directorates, as approved by the Trust's Executive Management Team. Other specific scheme funding of £2.55m relates to backlog maintenance, with proposals again agreed by the Trust's Executive Management Team. A further £0.621m was released by DoH on 12 May 2020 for specific ICT projects. The Trust has bid for Covid-19 capital funding and awaits DoH funding.

The following table summarises the Trust's 2020/21 Capital Resource Limit together with expenditure of £3.445m as at 31 May 2020 and forecast to 31 March 2021 of £38.165m. With the exception of Phase B, spend in quarter 1 is minimal due to Covid-19 and the associated lockdown measures. Spend will increase in later months, all subject to delivering services during Covid-19.

	Initial 2020/21 Capital Resource Limit as at 24 April 2020 £'000	Changes in the 2020/21 CRL £'000	2020/21 Capital Resource Limit as at 12 May 2020 £'000	Expenditure to 31/5/20 £'000	Forecast to 31/3/21 £'000
Ulster Hospital Phase B	28,988	0	28,988	3,281	28,988
Other Specific Schemes	2,550	621	3,171	116	3,171
General Capital	6,006	0	6,006	48	6,006
Total	37,544	621	38,165	3,445	38,165

**The Trust's capital programme in 2020/21 is subject to delivering capital projects during Covid-19.*