

SOUTH EASTERN HSC TRUST
FINANCE REPORT
4 MONTHS TO 31 JULY 2020

Overall Position

The Trust is reporting a year to date deficit at month 4 of £6.1m and is forecasting a year end deficit of £18.3m. The Trust's recurrent deficit is £32.5m.

It should be noted that this is our opening position and will change as funding and regional financial approaches are finalised.

Draft Financial Strategy 2020-21

The Trust submitted its Draft Financial Strategy to the Health and Social Care Board in early July, clearly setting out the financial position of the Trust and the financial assumptions which underpin this position. The forecast deficit of £18.3m is the Trusts core deficit and assumes that the cost of Transformation and Covid-19 related expenditure will be fully funded.

The Trust also has an additional Savings Target relating to 2020-21 of £8.6m.

Savings requirement

The Trust has been set a savings target for 2020-21 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 2019-20 carried forward, making the Trust's Saving requirement for 2020-21 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 also has unfunded pressures in addition to this. Therefore the Trust will be faced with a very challenging financial position in 2020-21 and it is likely that if the Trust does not secure additional funding then financial breakeven will not be achieved by low impact measures only.

The Trust has identified £9.117m low impact savings for 2020-21 detailed below:-

Trust Savings Plans	In Year Effect £000	Full Year Effect £000
Cost reduction due to Covid-19	5,212	0
Natural Delays on & developments and recruitment	1,845	0
Other Efficiency/Productivity measures	1,515	0
Regional Pharmacy Savings (19-20 & 20-21)	545	353
Total	9,117	353

Covid-19 Expenditure

The Trust is assuming in its Financial Plan that the cost of Covid-19, including Re-building costs, will be funded. The Trust is forecasting that the total expenditure required for Covid-19/Rebuilding for 2020-21 will be in the region of £62m. It is extremely difficult to forecast Covid-19 expenditure as expenditure and associated activity will be largely affected by the impact and severity of a second wave.

The forecast costs include the following:-

	20-21 forecast £m
Covid-19 expenditure	54.7
Restart costs*	1.4
Rebuild Costs**	6.0
Total	62.1

* Restart costs - Inescapable costs of opening existing services.

** Rebuild costs - Additional costs of delivering services in a new and sustainable way.

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.

- 2020-21 pay award will be funded.
- Trust is assuming that funding in respect of Psychological Therapies will continue (£541k).
- 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 £18.3m. The Trust will continue dialogue with HSCB/DoH in respect of this position. It should be noted that this is our opening position and will change as funding and regional financial approaches are finalised. However, if the Trust does not secure additional funding then financial breakeven will not be achieved by low impact measures only.

2020-21 will be an extremely challenging year. The unpredictable nature of the impact of Covid-19 will make financial management and forecasting extremely difficult.

Paul Morgan

Summary Financial Position

The Trust is not reporting a financial position at month 4.

Period ended:	Reported(Surplus) / Deficit £m	Forecast year end (surplus) /Deficit £m
31 st May 2020	N/A	N/A
30 th June 2020	4.6	18.3
31 st July 2020	6.1	18.3

Directorate Performance – Summary

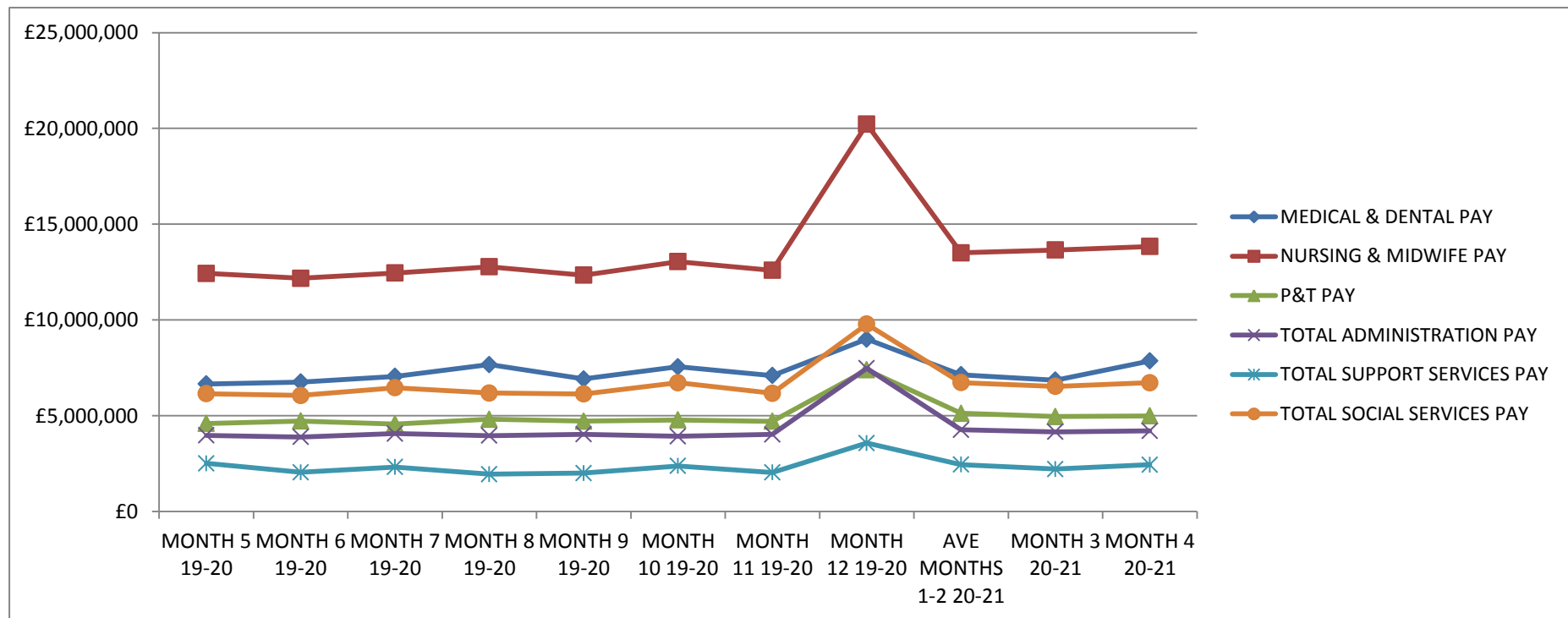
NB: In the following tables a negative figure represents an underspend against budget, with a positive figure indicating an overspend

	(SURPLUS)/ DEFICIT YEAR TO DATE			DIRECTORATE FORECAST YEAR END POSITION
	SALARIES AND WAGES	GOODS AND SERVICES	TOTAL	
	£'000	£'000	£'000	£'000
ADULT & PRISON SERVICES	526	(65)	461	276
CHILDRENS SERVICES	(616)	533	(83)	2,190
PRIMARY & ELDERLY SERVICES	79	(959)	(880)	1,005
FINANCE & ESTATES	(4)	529	525	(261)
HOSPITAL SERVICES	4,296	1,583	5,879	12,327
PLANNING,IT & PERF MANGEMENT	(128)	9	(119)	(662)
HUMAN RESOURCES & CORP AFFAIRS	(99)	43	(56)	43
	4,054	1,673	5,727	14,918
COST PRESSURES/SAVINGS/INCOME ANTICIPATED			390	3,381
(SURPLUS)/DEFICIT			6,117	18,299
FURTHER TRUST SAVINGS – TO BE IDENTIFIED				0
YEAR END PROJECTION				18,299

* The Trust is assuming that the cost of Transformation and Covid-19 will be fully funded.

Table 1 – Core Salaries and Wages Expenditure

The graph below illustrates the stable trends in core payroll (excluding Covid-19 expenditure) 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 4 was a five week month and month 3 a four week month). Month 12 2019-20 included the AFC pay award and one off year end creditors. Month 1 2020-21 included the AFC pay award for 2020-21 and Month 4 included the Medical and Dental pay award.

Table 2 – Covid-19 Salaries and Wages Expenditure

The graph below illustrates the Covid-19 related expenditure. This includes the **additional** costs of staff redeployed to Covid-19 activities, for example overtime costs, enhanced rates and additional hours.

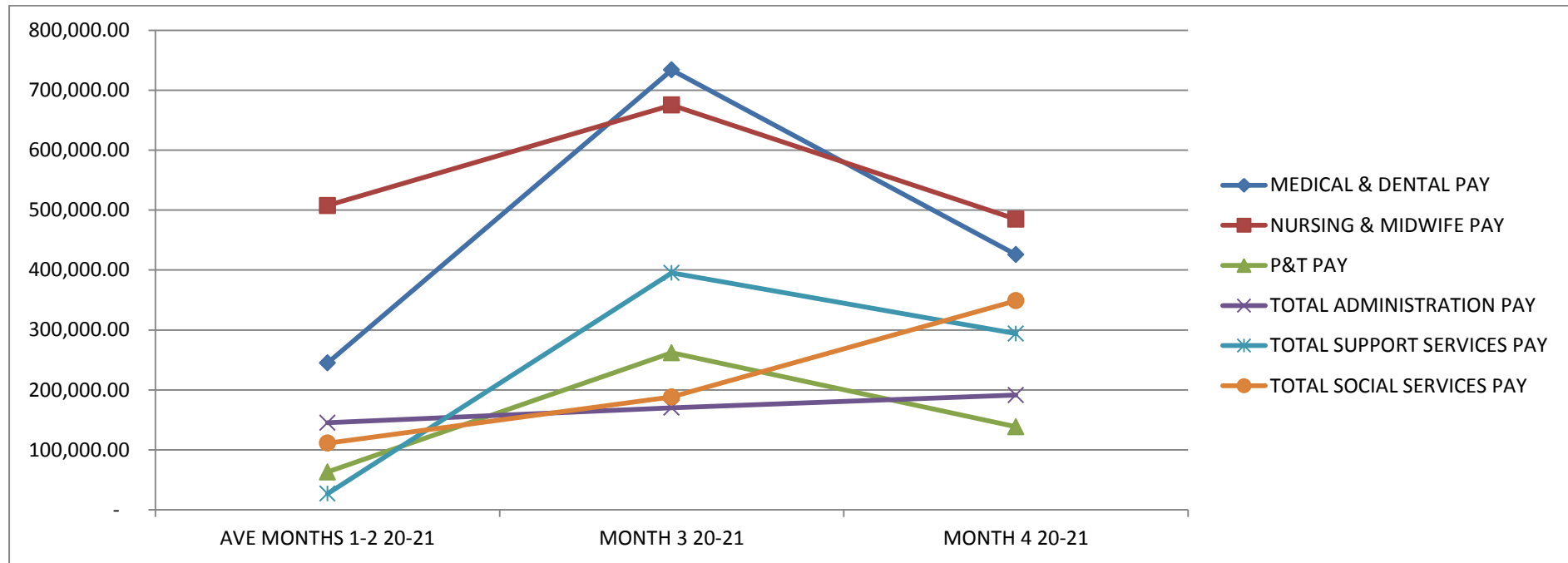
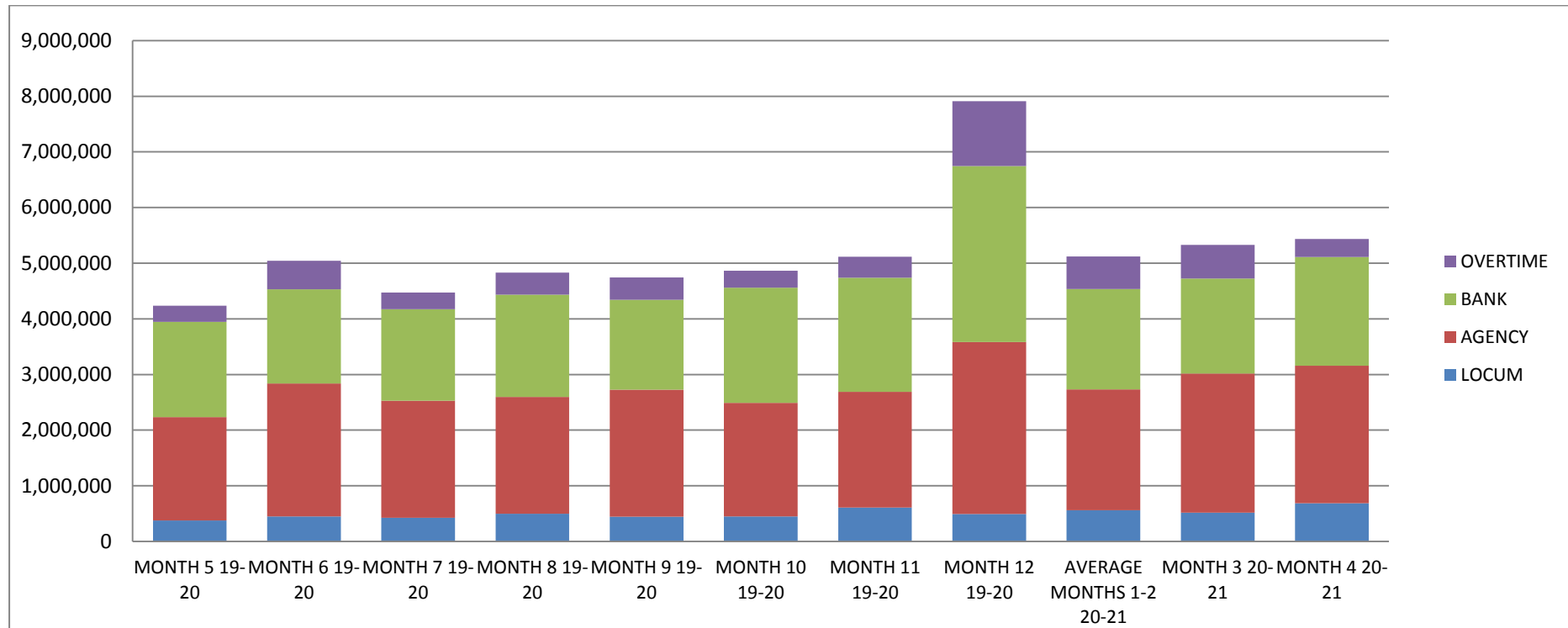


Table 3 – Total Flexible Staffing Costs

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 4 was a five week month and month 3 a four week month).



The above table includes total flexible staffing cost, both core and Covid-19.

Table 4 Core Goods and Services Expenditure

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 4 was a five week month and Month 3 a four week month).

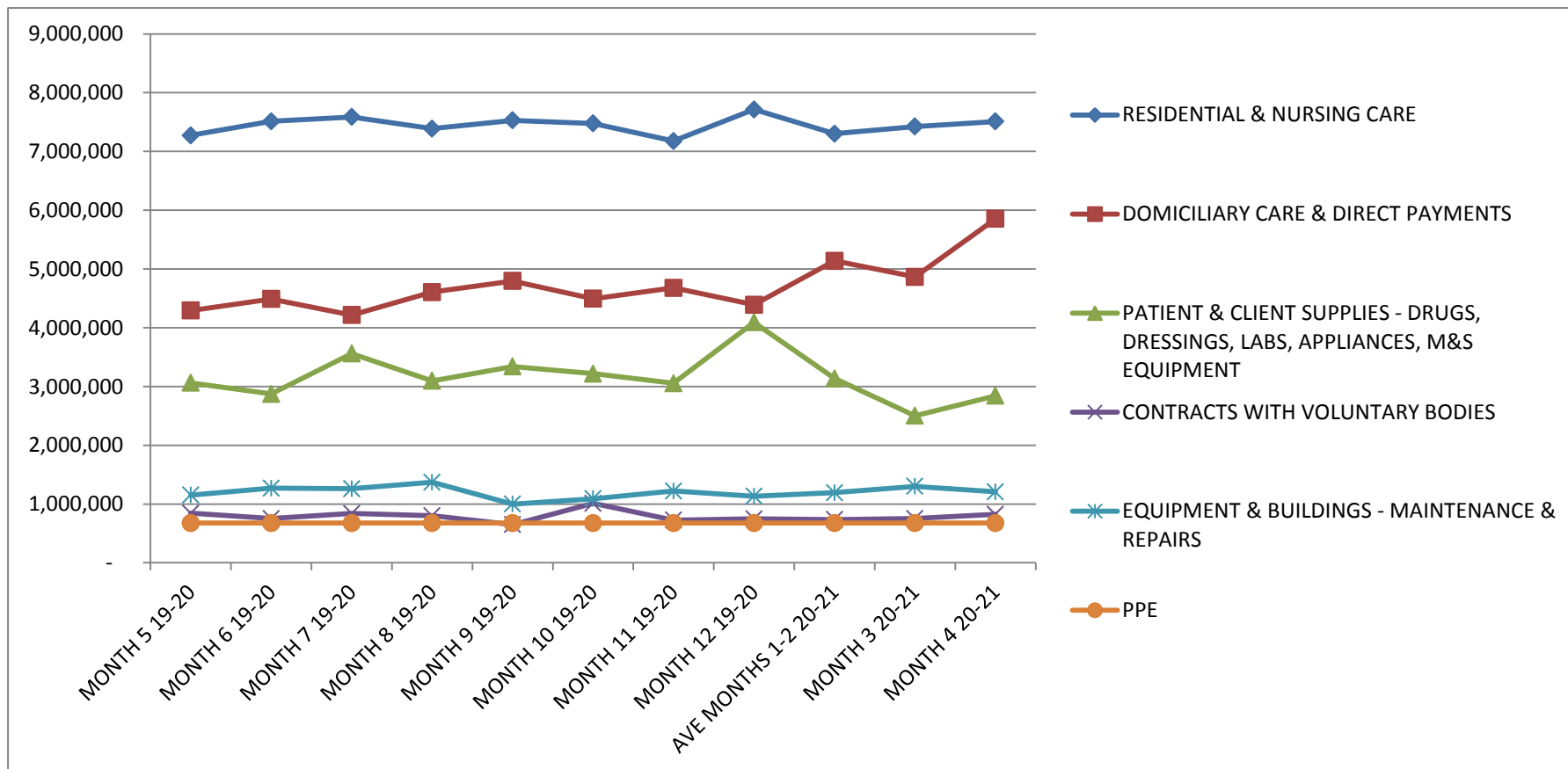
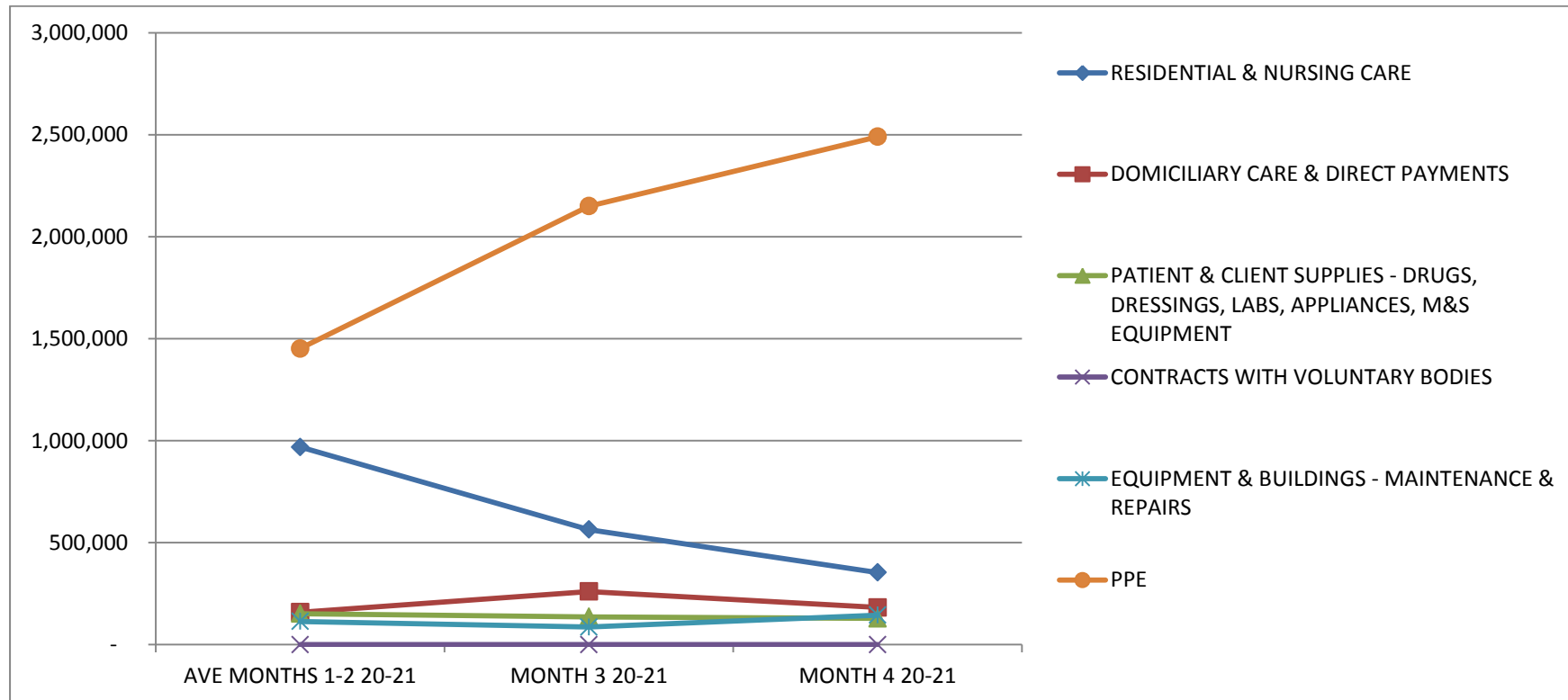


Table 5 Covid-19 Goods and Services Expenditure

The graph below illustrates the Covid-19 related expenditure. Expenditure in respect of residential and nursing homes/domiciliary care relates to financial support and grants to the independent sector.



Capital Expenditure Month 4

The latest Trust's Capital Resource Limit (CRL), issued 31 July 2020 has decreased by approximately £1m to £36.430m due to the release of 2020/21 Phase B funding as a consequence of CPD-Health Projects submitting a reduced profile to the Department of Health (DoH).

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 £6.01m relates to backlog maintenance £2.55m, Covid-19 ASB £1.463m, ICT Projects £1.12m, Task & Finish/Invest to Save £0.775m, and Lisburn HCC ICT Equipment £0.1m.

The following table summarises the Trust's 2020/21 Capital Resource Limit together with expenditure of £5.4m as at 31 July 2020 and forecast to 31 March 2021 of £36.430m. With the exception of Phase B, spend in Quarter 1 is minimal due to Covid-19 and the associated lockdown measures. While in later months, spend is expected to increase, all subject to delivering services during Covid-19.

	2020/21 Capital Resource Limit as at 12 May 2020 £'000	Changes in the 2020/21 CRL £'000	2020/21 Capital Resource Limit as at 31 st July 2020 £'000	Expenditure to 31/7/20 £'000	Forecast to 31/3/21 £'000
Ulster Hospital Phase B	28,988	(4,576)	24,412	3,121	24,412
Other Specific Schemes	3,171	+2,841	6,012	589	6,012
General Capital	6,006	0	6,006	1,706	6,006
Total	38,165	(1,735)	36,430	5,416	36,430

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