Belfast Health and Social Care Trust

TRUST BOARD

MEETING	**Trust Board**	**Ref No. 7.1**
DIRECTOR	**Executive Director Finance**	**Date 13 Jan 2022**
2021/22 Month 8 Finance Report		
Purpose	• Finance performance report for April-November 2021 • Update on year end forecast and 2022/23 financial planning	
Corporate Objective	• Delivery of all corporate objectives, including statutory duty to breakeven	
Key areas for consideration	This paper provides: • a report on the Trust's actual performance at the end of November 2021 • An update on the financial position for 2021/22 and beyond.	
Recommendations/Actions	**This report is for discussion and noting.**	

Month 8 Trust Board Finance Report 2021/22

1. Executive Summary

1.1 The DoH opening allocation for 2021/22 included additional funding of £495.2m, of which only £52.1m represented recurrent mainstream funding to cover the Agenda for Change (AFC) pay increase in 2021/22.

1.2 The Trust began the year with an underlying recurrent opening deficit (before any pay and price inflation and other cost pressures in 2021/22) of £69.1m, which had built up over the previous few years from undelivered savings and unfunded inescapable pressures. The Trust's draft financial plan, submitted at the end of May 2021, identified an anticipated deficit of £90m for 2021/22.

1.3 Since the beginning of the year the Trust has reviewed and revised its year-end estimates on an ongoing basis to reflect in-year spend and slippage in the context of COVID and to take account of any non-recurrent cost reduction measures. COVID expenditure, estimated to be in the region of £85m, is expected to be funded in full. The Trust received further non recurrent income from October Departmental Monitoring for a range of pressures which reduced the deficit to £28m. On 22 December, the Trust was advised by HSCB that following the receipt of additional funds from DOH, additional deficit funding of £26.7m had been approved for the Belfast Trust; the timing of this means that it is not reflected in the November financial report. The Trust will closely monitor its financial position for the last quarter of the year and will work with commissioning colleagues to ensure that a break even position is delivered by the end of the financial year. A number of financial risks remain, not least the impact of COVID and winter pressures between January and March 2022.

1.4 The Month 8 position is a £19.5m deficit which is in line with the revised projected gap prior to the expected £26.7m allocation. There are some concerning areas of expenditure compared with the same period last year; pay spend has increased by circa £20m compared to last year (before any pay award) and the pay variance has worsened by £5m, attributable in the main to backfill for rising vacancies and sickness absence. It is important that budget holders continue to monitor spend against budgets and take early action where variances are emerging and spend run rates are rising. There are material in-year pressures in relation to energy, LD community placements and Looked After Children.

1.5 Looking ahead to 2022/23, the Trust is extremely concerned about the significant underlying budget deficit, currently over £100m, which has been masked in recent years by considerable non-recurrent funding and slippage. COVID-19 presents added uncertainty around service stability and financial sustainability moving forward.

2. 2021/22 Recurrent Opening Deficit

2.1 The Trust had an underlying recurrent opening deficit (before any pay and price inflation and new 2021/22 cost pressures) of £69.1m, which had built up over three year period from undelivered savings and unfunded inescapable pressures, including pressures relating to superannuation auto enrolment, energy price increases, high cost placement of children and LD transitioning to adulthood. This is summarised as follows:

	2021/22	
	£'m	£'m
Residual opening deficit 2018/19		**1.7**
2018/19 General Savings Target shortfall	9.7	
2019/20 General Savings Target shortfall	18.6	
2020/21 General Savings Target shortfall	18.4	
2018/19 unfunded pressures	11.2	
2019/20 unfunded pressures	8.2	
2020/21 unfunded pressures	1.3	
		67.4
Gross Opening Deficit for 2021/22		**69.1**

2.2 For the last number of years the Trust has only been able to achieve financial balance because of substantial non-recurrent monies, obtained through a combination of additional Monitoring Round monies, in-year slippage on investments (where planned investments have not started on time due to longer lead in times, workforce shortages etc) and other, often fortuitous, non-recurrent measures. In 2020/21, there were additional one-off underspends associated with the downturn in elective care/other 'business as usual' spend as a result of COVID-19. The scale of reliance on non-recurrent measures over the last two years is shown below:

	2019/20 £m	**2020/21 £m**
N/R savings/slippage on investments	25	29
N/R funding	20	3
N/R transformation	19	14
Savings from COVID-related downturn in activity		29
TOTAL	**64**	**75**

2.3 The Trust cannot continue to manage its finances with such heavy reliance on non-recurrent funding and without the assurance of a fully funded recurrent baseline. However, it appears that this will be a theme again in 2022/23 with further non recurrent income being made available for pressures and unmet savings.

2.4 It should be noted that the Trust has made cash releasing and productivity savings in excess of £300m over the past 12 years. However, given the scale of savings achieved in that time against a background of an increasingly elderly population and associated health and social care needs, rising bed occupancy levels and recruitment difficulties which necessitate the use of high cost backfill, the opportunities for cash savings have reduced significantly. Nevertheless, the Trust continues to seek and exploit any opportunities available, for example in high cost drugs, but has been unable to meet the circa £20m of additional savings per year required by DOH in the last three years.

2.5 In addition to the £69.1m opening recurrent deficit, the Trust is carrying financial pressures in transformation and other schemes which HSCB have yet to fund recurrently. For the first year in a number of years, Trusts did not receive new demography monies in 2021/22 despite continued demographic growth. Furthermore, anticipated additional funding in relation to the FYE of 2020/21 demography funding was significantly reduced to recurrently fund a range of regional transformation projects which reduced the amount available to fund demographic growth pressures; the Belfast Trust was disproportionately affected by this, with demography funding reduced by circa £3m.

2.6 Taking account of the full year effect of 2021/22 cost pressures, the Trust is expected to have a recurrent deficit of circa £100m going into 2022/23, even before accounting for 2022/23 inescapable pressures and any new savings targets.

2.7 The 2022/23 DoH budget plan is indicating a shortfall of funds of circa £1.5bn for the HSC before any 2022/23 allocation. The total public sector allocation in terms of new monies for 2022/23 is expected to be well short of this.

3. Detailed breakdown of 2021/22 Financial Position

3.1 The DoH opening allocation for 2021/22 included additional funding of £495.2million of which only £52.1million represented recurrent mainstream funding to cover the Agenda for Change (AFC) pay increase in 2021/22. The remaining allocation was non recurrent and was expected to cover COVID-19 expenditure tails, COVID-19 rebuild costs, COVID vaccination deployment, NDNA initiatives, other inflationary uplifts and limited demography and transformation investment.

3.2 Although the Belfast Trust ended the 2020/21 financial year in a balanced financial position, this was only achieved, as was the case in previous financial years, through a combination of substantial non-recurrent funding from HSCB, one-off accounting measures, slippage on Trust investments, a share of slippage associated with centrally held HSCB service developments, and downturn in elective care/other business as usual spend due to COVID-19. The year-end outturn position did therefore not adequately reflect the severe financial challenges encountered in 2020/21 which have had to be factored into the recurrent underlying position.

3.3 The HSCB indicative 2021/22 allocation, issued in May 2021, did not include any recurrent or non recurrent funding to address previous year unmet savings targets or historical inescapable pressures. At the same time, no additional efficiency savings target was imposed with the exception of a MORE pharmacy savings target of £3.76m. After years of sustained significant savings, this will be the first year that the Trust expects not to be able to achieve its full pharmacy savings target with forecast savings of £2.06m. The resulting residual initial deficit, reflecting the above funding, expenditure and savings assumptions, was £89.7m.

3.4 In late June 2021, HSCB issued further guidance regarding income and expenditure assumptions. At the same time, the Trust reviewed its estimate of further non-recurrent savings in relation to new investment slippage. As a result, the financial position was been revised to £46m. In October 2021, HSCB allocated additional funding for general pressures and energy reducing the deficit to £40m. It should be stressed that the Trust has been advised to assume that COVID-19 response costs will be met in full, that transformation slippage can be offset against transformation deficits and that No More Silos services can be reduced to the funding provided, with the exception of the GP out of hours cost pressure.

3.5 Following the Departmental October Monitoring Round, the Trust was provided with non recurrent funding for a range of pressures which reduced the deficit to £28m and, more recently, the Trust was advised by HSCB on 22 December to expect a further £26.7m of deficit funding. The Trust will continue to review projected expenditure, particularly in relation to recent allocations for service developments, and will work with HSCB to refine its projections. At this stage, subject of course to any new or increased financial risks associated with COVID and/or winter pressures and assuming that all COVID costs will be met in full, it is expected that the Trust will achieve financial balance by the end of the year. A summary of the revised anticipated financial position is below:

Residual Deficit after income and savings

	£'m
Residual opening deficit 2018/19	1.7
2018/19 General Savings Target shortfall	9.7
2019/20 General Savings Target shortfall	18.6
2018/19 unfunded pressures	11.2
2019/20 unfunded pressures	8.2
2020/21 General Savings Target shortfall	18.3
2020/21 unfunded pressures	1.3
2021/22 opening pressures	24.3
Opening Deficit 21/22	93.3
Income for pressures	(21.2)
Covid pressure	0.0
Transformation pressure	1.4
NMS pressure/ GP OOHs	0.9
2021/22 MORE pharmacy shortfall	1.9
2021/22 savings	(36.3)
Further income from October Monitoring	(12.0)
Additional deficit funding notified by HSCB 22/12/21	(26.7)
Forecast Closing Deficit 2021/22	**1.3**

3.6 The 2021/22 savings of £36.3m include £10m of savings in relation to downturn in elective care/other 'business as usual' spend due to COVID-19 in the context of services not returning to normal levels of activity. This will be challenging for the Trust to achieve but the expectation is that the Trust will be funded for other existing COVID costs, for example additional ICU staffing costs which are currently covered by bed/staff savings, to further increase the downturn in BAU costs. There are a range of other recurrent and non recurrent saving measures, as summarised in table below:

Recurrent and non recurrent savings	21/22
In year demography slippage	0.50
Procurement rebates	0.50
Research & Development I&E change in accounting treatment	0.85
Other investment slippage	7.12
Recurrent savings	0.65
Other non-recurrent accounting measures	9.00
Non rec savings re rebates	4.00
	22.62

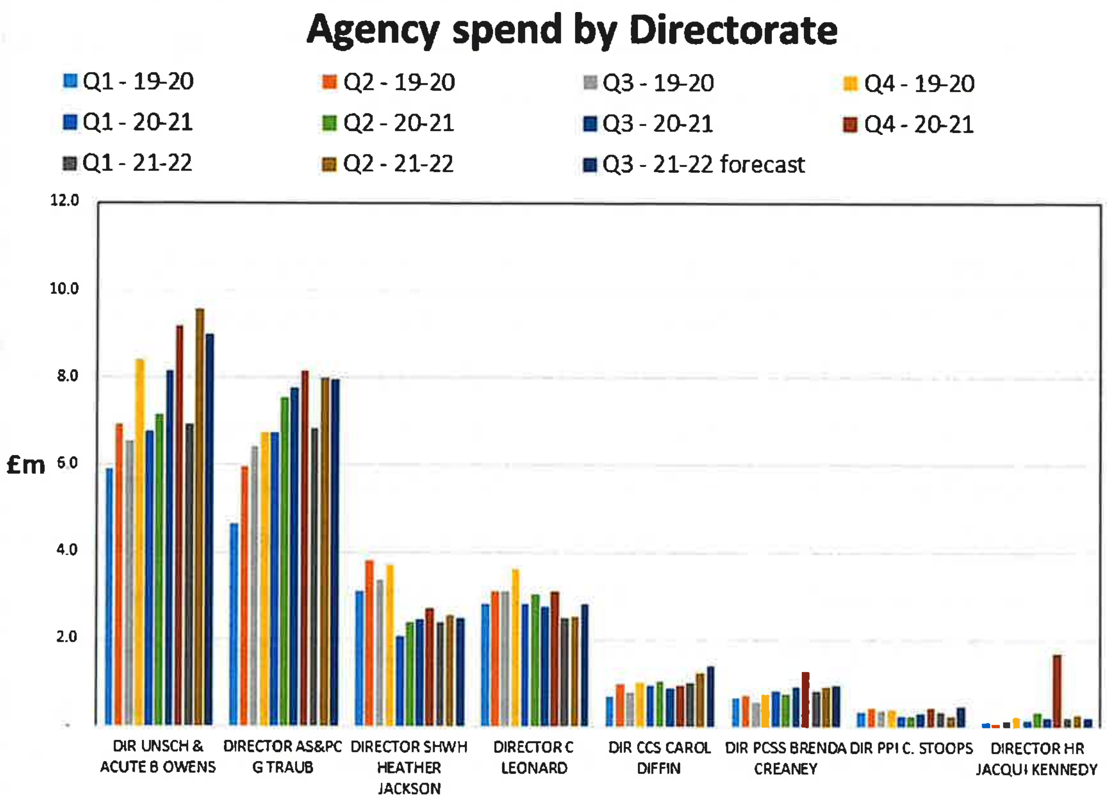
4. Financial Performance at 30 November 2021

4.1 At the end of November 2021, the Trust is showing a £19.5m deficit, which is in line with the forecast deficit position of £28m prior to the expected £26.7m additional deficit funding. Spend this year to date on COVID-19 is £60m, including £22.5m PPE, £10.8m additional staffing costs and £13.3m service delivery costs. The spend on transformation projects is £10.4m including £2.2m on mental health transformation with a FYE forecast of £19.2m. The deficit for these schemes is reducing as the Trust has been made aware that non-recurrent funding will be forthcoming for schemes previously not funded.

4.2 The underspends being seen within G&S in the large acute directorates due to the underperformance against funded activity have decreased in comparison to last year as expected due to increasing elective activity levels. The underspend for the first eight months amount to circa £5.7m. This is being offset primarily against prior year unmet savings targets. The financial plan includes £10m of downturn in business as usual (BAU).

4.3 Since the start of the year, the Trust has experienced increased cost pressures in relation to energy, EU Exit pressures, private fostering places and LD community placements and these have now been reflected in the financial projection. Spend in relation to domiciliary care, including rapid response and self direct support payments, has also risen significantly. Currently, underspends in nursing and residential homes are offsetting an element of this domiciliary care pressure. The Trust has also had to block purchase an additional 25 step down beds to facilitate the flow from acute hospitals. This cost has been included in our non recurrent funding bid against any additional No More Silos money or deficit funding.

4.4 The ongoing pressure in relation to workforce continues in 2021/22. Although agency spend is on par with last year's costs, the nursing position is concerning. Non-COVID related nursing sickness has increased by 1.72% compared to pre COVID levels and COVID-related absence is circa 1.5% and increasing in December. For every 1% increase in nursing absence, it is estimated that the cost of backfill is circa £5m per annum based on premium rate backfill. The in-year increase in sickness absence therefore represents a full year cost of around £16m. This pressure is somewhat masked by the closure of acute beds within hospital sites and the use of redeployed staff to cover vacancies, although an expected rise in the use of enhanced rates and agency staff over the winter months is likely to increase the pay run rate. The Trust has recently been made aware of an off contract agency increasing rates by 10% across the board which may push agency costs up further. The graph below shows agency costs for quarter 1, 2, 3, and Q4 2019/20 & 2020/21 against Q1 and forecast Q2 2021/22.



4.4 The financial position at 30 November 2021, by directorate, is shown below:

Summary Position by Directorate at end November 2021

Directorate	Budget £'000	Spend £'000	Variance £'000
Specialist Hospitals & Women's Health	140,217	144,352	**4,134**
Adult Social,& Primary Care	284,819	289,458	**4,640**
Surgery & Specialist Services	226,239	225,006	**(1,233)**
Unscheduled & Acute Care	275,060	278,621	**3,561**
Children's Community Services	60,652	61,853	**1,201**
Finance, Estates & Capital Development	28,260	27,265	**(995)**
Nursing & User Experience	59,254	58,240	**(1,014)**
Other including Corporate Directorates	112,130	121,518	**9,388**
Total	**1,186,631**	**1,206,313**	**19,682**

There is a small surplus on income at month 8 reducing deficit to £19.5m.

5. Summary Capital Position

5.1 The Trust's latest Capital Resource Limit (CRL) issued by the Department of Health for 2021/22 is dated 15 December 2021.

5.2 The total capital allocation is £81.97m. This consists of specific schemes totalling £38.03m and a general capital allocation of £43.94m. Within the general capital allocation, there is £2.5m for Covid-19 schemes, £1.96m for invest to save schemes and a recent allocation of £900k for imaging diagnostics.

5.3 The Trust's projected capital outturn position for 2021/22 is breakeven. The progress of schemes throughout the year continues to be closely monitored each month and any changes identified to the annual spend profiles highlighted and followed up with directorates.

TABLE 1 NET EXPENDITURE ACCOUNT Nov-21	Year to Date		
	Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure:			
Staff costs	625,265	629,598	4,333
Depreciation:	38,340	38,340	(0)
Other expenditure	395,346	419,368	24,022
Total expenditure	1,058,951	1,087,306	28,355
Income:			
Income from activities	28,423	28,397	(26)
Other income	39,348	39,338	(10)
Total income	67,771	67,735	(36)
Net expenditure	**991,180**	**1,019,571**	**28,391**
Less adjustments:			
Profit / (loss) on disposal of fixed assets	0	0	0
Depreciation	(34,475)	(34,475)	0
Amortisation	(3,865)	(3,865)	0
Impairments	0	0	0
Total adjustments	(38,340)	(38,340)	0
Net resource outturn	**952,840**	**981,231**	**28,391**
Calculation of Revenue Resource Limit (RRL)			
Allocation from HSCB	928,045	928,045	0
Allocation from PHA	11,578	11,578	0
DHSSPS non-cash RRL issued	0	0	0
SUMDE & NIMDTA (now only NIMDTA-SUMDE under HSCB RRL)	13,218	13,218	0
Revenue Resource Limit	**952,841**	**952,841**	**0**
Surplus / deficit against RRL	**1**	**(28,390)**	**(28,391)**

TABLE 2 - BALANCE SHEET		Actual 01/04/21 £k	Actual YTD £k	Forecast 31/03/22 £k	Original plan 31/03/22 £k
	FIXED ASSETS				
	Tangible assets				
1.1	- Land	111,919	111,918	111,918	111,918
1.2	- Buildings, installations and fittings	1,018,748	996,837	1,029,089	1,029,089
1.3	- Computer equipment	24,611	20,039	33,423	33,423
1.4	- Other equipment	85,528	77,537	96,756	96,756
1.5	- Assets under construction	109,557	131,648	134,596	134,596
1.6	Total tangible assets	1,350,363	1,337,979	1,405,782	1,405,782
1.7	Intangible assets	24,875	21,011	25,124	25,124
1.8	Financial assets	-	-	-	-
1.9	**Total non-current assets**	1,375,238	1,358,990	1,430,906	1,430,906
	CURRENT ASSETS				
2.1	Stocks and work in progress	20,604	21,293	20,100	20,100
2.2	Debtors: amounts falling due within one year	56,862	52,760	50,750	50,750
2.3	Debtors: amounts falling due after more than one year	-	-	-	-
2.4	Short term investments	-	-	-	-
2.5	Cash at bank and in hand	13,272	32,330	15,500	15,500
2.6	**Total current assets**	90,738	106,383	86,350	86,350
3.0	CREDITORS: amounts falling due within one year (-)	- 334,589	- 252,193	- 304,500	- 304,500
4.0	**NET CURRENT ASSETS / (LIABILITIES)**	(243,851)	(145,810)	(218,150)	(218,150)
5.0	**TOTAL ASSETS LESS CURRENT LIABILITIES**	1,131,387	1,213,180	1,212,756	1,212,756
6.0	CREDITORS: amounts falling due after more than one year (-)	- 10,598	- 9,850	- 9,850	- 9,850
		-	-	-	-
7.0	PROVISIONS FOR LIABILITIES AND CHARGES (-)	- 129,544	- 132,979	- 127,342	- 127,814
8.0	**TOTAL ASSETS EMPLOYED**	**991,245**	**1,070,351**	**1,075,564**	**1,075,092**
	FINANCED BY:				
9.0	Revaluation reserve	364,486	364,487	364,205	364,205
10.0	Donation reserve	-	-	-	-
11.0	Other reserves	-	-	-	-
12.0	General fund	626,759	705,864	711,359	710,887
		991,245	**1,070,351**	**1,075,564**	**1,075,092**

TABLE 2(a) - CALCULATION OF AVERAGE RELEVANT NET ASSETS AND COST OF CAPITAL CHARGE		0 £k	0 £k	0 £k
13.0	Total capital and reserves	991,245	1,075,564	1,033,405
	less:			
14.0	Donation reserve (-)	0	0	0
	plus:			
15.0	Interest Bearing Debt (NIAS only)	0	0	0
16.0	Relevant Net Assets	991,245	1,075,564	1,033,405
17.0	**FORECAST COST OF CAPITAL AT 3.5%**			**36,169**

Table 3

Belfast Trust

Salaries & Wages Supplementary Schedule

Pay Cumulative to the end of	Oct 21		
Directorate	Cumulative Budget £'000	Cumulative Expenditure £'000	Cumulative Variance £'000
Specialist Hospitals & Women's Health	89,662	92,456	2,794
Adult Social & Primary Care	130,872	131,744	872
Surgery & Specialist Services	112,190	111,748	(442)
Unscheduled & Acute Care	172,447	175,609	3,162
Children's Community Services	32,453	32,379	(74)
Finance, Estates & Capital Development	16,564	15,164	(1,400)
Nursing & User Experience	41,681	41,150	(531)
Other Pay including Corporate Directorates	29,396	29,348	(48)
Total Salaries & Wages	625,265	629,598	4,333

Table 4

Belfast Trust

Goods & Services Supplementary Schedule

Goods Cumulative to the end of	Oct 21		
Directorate	Cumulative Budget £'000	Cumulative Expenditure £'000	Cumulative Variance £'000
Specialist Hospitals & Women's Health	32,389	33,545	1,156
Adult Social & Primary Care	120,118	122,438	2,320
Surgery & Specialist Services	83,518	83,500	(17)
Unscheduled & Acute Care	67,904	67,171	(733)
Children's Community Services	19,787	20,860	1,073
Finance, Estates & Capital Development	8,102	8,515	413
Nursing & User Experience	9,972	9,668	(304)
Other G&S including Corporate Directorates	53,557	73,671	20,114
Total Goods & Services	395,346	419,368	24,021

TABLE 5
CAPITAL EXPENDITURE (excluding donated assets)

	Project Business Case Status	Scheme Description	Actual Capital Expenditure to date 2021/22 £k	Forecast Total Expenditure 2021/22 £k	Notified CRL 2021/22 £k
Major capital and other specifically funded schemes	Approved schemes	RVH Maternity New Build	7,813,151	12,183,724	12,183,724
		RVH - Regional Children's Hospital Enabling and Ener	1,719,545	4,964,515	4,964,515
		RVH - Children's Hospital Site Infrastructure	1,049,263	5,224,101	5,224,101
		RGH Energy Centre	897,090	3,252,245	3,252,245
		Belfast Trust R&D Commerical Income Spend	3,817,817	6,000,000	6,000,000
		Glenmona Resource Centre	0	301,572	301,572
		100,000 Genomes R&D	0	0	0
		100,000 Genomes Capital Items	211,619	211,619	211,619
		GP Improvement Scheme Trust Owned	21,473	280,000	280,000
		Regional Radio-pharmacy Facility	136,480	369,883	369,883
		Invest to Save	36,660	1,960,000	1,960,000
		ICT	6,566,644	11,448,978	11,448,978
		0	0	0	0
		0	-	-	-
		0	-	-	-
Sub total			**22,269,742**	**46,196,637**	**46,196,637**
Delegated schemes funded from general capital and other local resources		0	-	-	-
		0	-	-	-
		0	-	-	-
		0	-	-	-
		0	-	-	-
		0	-	-	-
		0	-	-	-
		0	-	-	-
Sub total			**0**	**0**	**0**
Total			**22,269,742**	**46,196,637**	**46,196,637**
(Over)/Underspend against the CRL					

Project Business Case Status : Approved Schemes are classified as schemes for which business case approval has been confirmed by the Planning and Performance Management Directorate. Unapproved schemes are classified as schemes for which business case approval has not been confirmed by the Planning and Performance Management Directorate.

****Please provide an explanation of any variance included in column G on a scheme by scheme basis**

Table 5(a)
Details of Trust Asset Disposal and Re-investment

	Year to Date £k	Forecast 2019/20 £k
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0