



**TRUST BOARD**

<b>MEETING</b>	<b>Trust Board</b>	<b>Ref No. 7.1</b>
<b>DIRECTOR</b>	<b>Director of Finance, Estates and Capital Development</b>	<b>Date 5 May 2022</b>
<b>2021/22 Month 12 Finance Report</b>		
<b>Purpose</b>	<ul style="list-style-type: none"><li>• Finance performance report for April 2021- March 2022</li><li>• Update on 2022/23 financial planning</li></ul>	
<b>Corporate Objective</b>	<ul style="list-style-type: none"><li>• Delivery of all corporate objectives, including statutory duty to breakeven</li></ul>	
<b>Key areas for consideration</b>	This paper provides: <ul style="list-style-type: none"><li>• a report on the Trust's actual performance at the end of March 2022</li><li>• An update on the financial position for 2022/23 and beyond.</li></ul>	
<b>Recommendations/Actions</b>	<b>This report is for discussion and noting.</b>	

## Month 12 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 of £93.3m, which had built up over the previous few years from undelivered savings and unfunded inescapable pressures.
- 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, which was £92.7m for the year, and was funded in full. The Trust received non recurrent income from October and January Departmental Monitoring Rounds for a range of pressures and this has enabled the Trust to break even this year. A small surplus of £129k is anticipated, subject to audit.
- 1.4 Whilst the Trust has achieved financial balance this year, there are some concerning trends in expenditure compared with the same period last year. Pay spend has increased by circa £3.5m compared to last year in real terms and the pay variance has worsened by £1.5m, attributable in the main to backfill for rising vacancies and sickness absence. There are material in-year pressures in relation to energy, LD community placements and Looked After Children, specifically fostering.
- 1.5 Looking ahead to 2022/23, the Trust is extremely concerned about the significant underlying budget deficit, currently over £120m. There is ongoing work with SPPG and initial review suggests there may be income from SPPG that can be applied against a number of pressures thereby reducing the deficit

to circa £60m. This gap does not take account of any potential new pressures in 2022/23 including the costs of a 2022/23 pay award or unfunded COVID response costs.

- 1.6 In the absence of an Executive, the NI 2022-25 Draft Budget cannot be approved. Trusts have been told to plan for 2022/23 on the basis of the 2021/22 recurrent opening baseline for the HSC. Trusts have been instructed not to commit spend unless a source of funding has been clearly identified on a recurrent basis.
- 1.7 The Belfast Trust is currently developing a financial stability, efficiency and productivity plan which will focus on rebuilding robust financial control and improving service productivity and efficiency to help contain and reduce costs. This is unlikely to have a significant impact on the Trust's financial position in 2022/23 given the scale of the deficit and ongoing increases in service demand. The Trust believes that significant change at a system level would be required to achieve financial balance in the HSC in the absence of additional funding.

## **2. 2021/22 Financial Position**

- 2.1 The Trust began the year with an underlying recurrent deficit of £93.3m, which had built up over the previous three years 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.
- 2.2 Throughout the year, the Trust has worked collaboratively with SPPG and DoH to identify additional income via Monitoring Rounds, slippage at SPPG/DoH and internal non recurrent savings. Draft annual accounts have now been completed, reporting a marginal surplus (£129k) in-year. A summary of the outturn financial position for the year is provided 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
<b>Opening Deficit 21/22</b>	<b>93.3</b>
Income for pressures	(22.8)
COVID-19 pressure	0.0
Transformation pressure	1.4
NMS pressure/ GP OOHs	0.9
2021/22 MORE pharmacy shortfall	1.9
2021/22 savings, accounting adjustments and downturn in BAU	(36.0)
Further income from October Monitoring	(12.0)
Additional deficit funding notified by HSCB 22/12/21	(26.7)
<b>Break even</b>	<b>0</b>

- 2.3 The 2021/22 savings figure of £36m includes £10m of savings related to a downturn in elective care/other 'business as usual' spend associated with services not returning to normal levels of activity due to COVID-19. There were a range of other recurrent and non recurrent saving measures, as summarised in table below:

<b>Recurrent and non recurrent savings</b>	<b>21/22</b>
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
	<b>22.62</b>

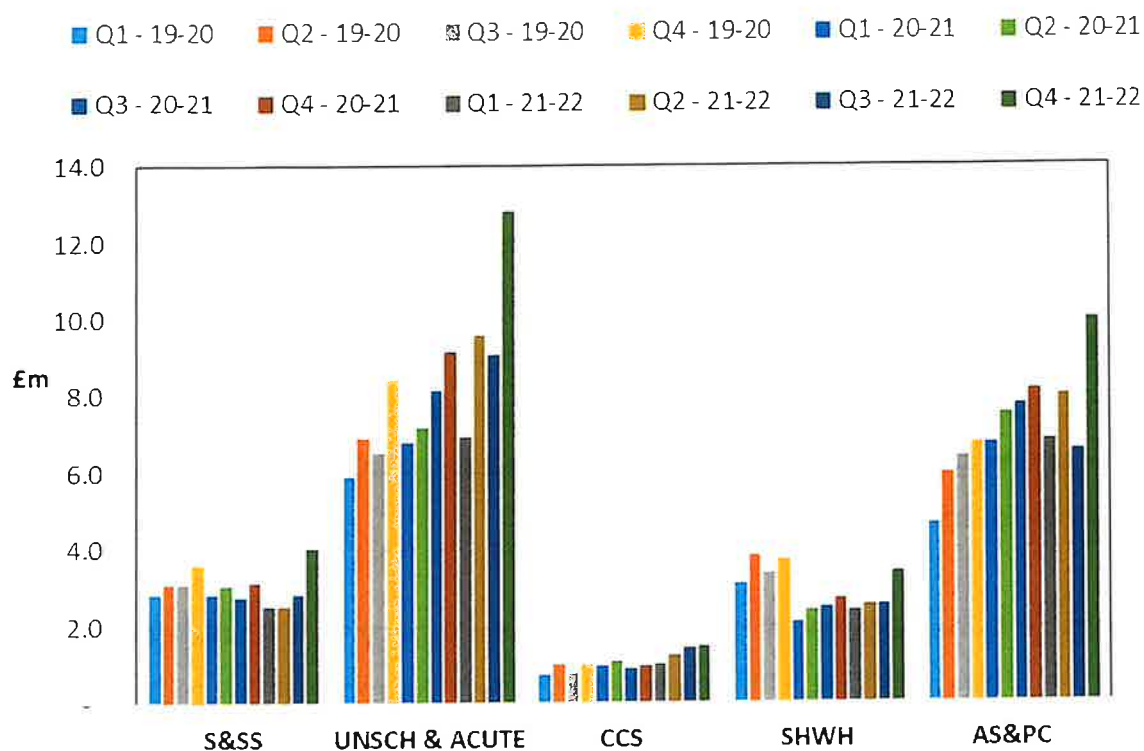
### **3. Financial Performance at 31 March 2022**

- 3.1 At the end of March 2022, the Trust is showing a break even position with a small surplus of £129k, including a surplus of £574k on ring fenced 'Delivering Care' monies. COVID-19 spend this year to date is £92.7m, including £28.7m PPE, £17m additional staffing costs and £27.2m service delivery costs, with these costs being fully funded. Expenditure for transformation projects is £21.7m, including £3.2m for mental health transformation. The remaining deficit for transformation schemes was funded by HSCB on a non recurrent basis.
- 3.2 G&S underspends in the large acute directorates, attributable to underperformance against funded activity, have decreased in comparison to last year due to increasing elective activity levels. The underspend for the year amounts to £11.3m. This is being used to help offset prior year unmet savings targets.
- 3.3 Since the start of the year, the Trust has experienced increased cost pressures in relation to energy (circa £17m), EU Exit pressures, private fostering places and LD community placements and these have now been reflected in the financial spend. 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 the domiciliary care pressure. The Trust has also had

to block purchase additional step down beds to facilitate the flow from acute hospitals. The cost of these is being met non recurrently from No More Silos and COVID-19 funding.

- 3.4 The ongoing pressure in relation to workforce continues in 2021/22. Total agency spend has increased from £95m to £103m for same period last year. Nursing has increased by £5.7m, medical £2.2m, social services by £1.8m and admin agency has reduced by £1.4m. Non-COVID related nursing sickness has increased compared to pre-COVID levels and this is being exacerbated by the COVID sickness. 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 over £15m. This pressure is masked to some extent because of acute bed closures across hospital sites and the use of redeployed staff to cover vacancies. Covid rapid response payments paid this year amounted to £4.4m, with £4m being paid to nursing staff. The graph below shows agency costs for 2019/20, 2020/21 & 2021/22 per quarter for the service directotares.

## Agency spend by Directorate



3.5 The financial position at 31 March 2022, by directorate, is shown below:

### Summary Position by Directorate at end March 2022

Directorate	Budget £'000	Spend £'000	Variance £'000
Specialist Hospitals & Women's Health	224,135	230,324	6,189
Adult Social & Primary Care	449,616	455,358	5,743
Surgery & Specialist Services	363,116	360,732	(2,384)
Unscheduled & Acute Care	431,190	436,244	5,055
Children's Community Services	95,069	95,392	322
Finance, Estates & Capital Development	59,890	57,279	(2,612)
Nursing & User Experience	95,331	93,728	(1,603)
Other including Corporate Directorates	195,376	184,540	(10,836)
<b>Total</b>	<b>1,913,724</b>	<b>1,913,598</b>	<b>(126)</b>

There is a surplus on income of £3k at month 12, ending up with a small overall surplus of £129k.

#### 4. 2022/23 Financial Outlook

- 4.1 The NI Draft Budget for 2022-25 was issued in December 2021 for consultation. The DoH's planned opening allocation for 2022/23 includes additional funding of £712.6m against the opening 2021/22 recurrent budget to give a new baseline of £6,782.4m. This proposed budget represents a real reduction on 2021/22 actual funding of £209m based on post-October Monitoring income, before accounting for potential new pressures such as a 2022/23 pay award. The expected deficit, to reflect a reasonable uplift for inflationary and other inescapable pressures, including COVID, is likely to exceed £0.5bn.
- 4.2 It is clear, on the basis of current assumptions around COVID and other expenditure in 2022/23, that achieving financial balance will not be possible without significant additional funding on top of the Draft Budget indicative allocations.
- 4.3 The Trust will continue to work with colleagues at SPPG/DoH to ascertain funding and expenditure commitments. Initial findings indicate that after taking account of the full year effect of 2021/22 cost pressures, the Trust faces a recurrent opening deficit of circa £120m, even before accounting for 2022/23 inescapable pressures. Ongoing work with SPPG has given initial indications that there may be additional income for an element of pressures thereby reducing the deficit to circa £60m.
- 4.4 In the absence of an Executive it is not be possible to agree a final budget for 2022-23 or indeed for the three year period 2022-25. The Trust has been advised that it needs to plan for 2022/23 on the basis of budget baselines, which for Health is £6.1bn, a reduction of some £0.7bn on the 2022/23 Draft Budget and some £1bn less than the in-year 2021/22 actual allocation. This means the Trust does not have the financial cover to spend above the 2021/22 recurrent opening baseline unless a source of funding has been clearly identified on a recurrent basis.



4.5 Even if the NI Draft Budget was to be agreed, there remains a very significant funding gap for the HSC for 2022-23 and the following two years. Given that the Trust has a statutory obligation to breakeven every year, the Trust has commenced a detailed review of its finances and an assessment of potential opportunities to reduce the Trust's cost base. However, the scale of savings achieved by the Trust over the last twelve years (circa £300m) 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, means that opportunities for cash savings have reduced significantly. It is therefore not realistic to assume that sufficient savings could be made at local Trust level in 2022/23 to materially reduce the projected deficit. Nevertheless, the Trust appreciates the need to evidence robust financial control and governance and to provide assurance around the extent to which it employs its financial resources to best effect. As a result, the Trust has initiated the development of a financial stability, efficiency and productivity plan to help reduce the deficit facing the Trust in 2022/23 and the following two financial years. The initial focus will be on rebuilding robust financial control and improving service productivity and efficiency.

4.6 The Trust recognises that the scale of cost reductions required (circa £60m before any pay award or new pressures) means that it is unrealistic to assume that financial balance could be achieved without significant system reform or substantial reductions to service, both of which would take time to consult on and implement. These longer term strategic measures will require discussion at system level and will therefore not be covered in any detail in this phase of the Trust's 'recovery' plan.

## **5. Summary Capital Position**

5.1 The Trust's final Capital Resource Limit (CRL) issued by the Department of Health for 2021/22 on 26 April 2022 advised that the total capital allocation for the year was £87.24m. This consisted of specifically funded and ring-fenced

schemes totalling £55.957m and a General Capital allocation of £31.285m and includes £6m for research and development which is included as capital for budgetary purposes but, under current accounting guidance, is reported as revenue expenditure in the Trust's final accounts.

- 5.2 The final outturn position against the final 2021/22 CRL of £87.24m, subject to year-end audit approval, is an under-spend of £739k, which equates to 0.8%.

TABLE 1 NET EXPENDITURE ACCOUNT Mar-22	Year to Date		
	Budget	Actual	Variance
	£'000	£'000	£'000
<b>Expenditure:</b>			
Staff costs	1,136,113	1,136,870	757
Depreciation:	0	0	0
Other expenditure	777,633	776,728	(905)
<b>Total expenditure</b>	<b>1,913,746</b>	<b>1,913,598</b>	<b>(148)</b>
<b>Income:</b>			
Income from activities	48,744	48,588	(156)
Other income	60,238	60,375	137
<b>Total income</b>	<b>108,982</b>	<b>108,963</b>	<b>(19)</b>
<b>Net expenditure</b>	<b>1,804,764</b>	<b>1,804,635</b>	<b>(129)</b>
<b>Less adjustments:</b>			
Profit / (loss) on disposal of fixed assets	0	0	0
Depreciation	0	0	0
Amortisation	0	0	0
Impairments	0	0	0
<b>Total adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net resource outturn</b>	<b>1,804,764</b>	<b>1,804,635</b>	<b>(129)</b>
<b>Calculation of Revenue Resource Limit (RRL)</b>			
Allocation from HSCB	1,760,711	1,760,711	0
Allocation from PHA	20,977	20,977	0
DHSSPS non-cash RRL issued	0	0	0
SUMDE & NIMDTA (now only NIMDTA-SUMDE under HSCB RRL)	23,076	23,076	0
<b>Revenue Resource Limit</b>	<b>1,804,764</b>	<b>1,804,764</b>	<b>0</b>
<b>Surplus / deficit against RRL</b>	<b>0</b>	<b>129</b>	<b>129</b>

**TABLE 2 - BALANCE SHEET**

	Actual 01/04/21	Actual YTD	Forecast 31/03/22	Original plan 31/03/22
	£k	£k	£k	£k
<b>FIXED ASSETS</b>				
Tangible assets				
1.1 - Land	111,919	111,919	111,919	111,918
1.2 - Buildings, installations and fittings	1,018,748	1,053,292	1,053,292	1,029,089
1.3 - Computer equipment	24,611	26,040	26,040	33,423
1.4 - Other equipment	85,528	93,583	93,583	96,756
1.5 - Assets under construction	109,557	134,805	134,805	134,596
<b>1.6 Total tangible assets</b>	<b>1,350,363</b>	<b>1,419,639</b>	<b>1,419,639</b>	<b>1,405,782</b>
1.7 Intangible assets	24,875	25,487	25,487	25,124
1.8 Financial assets	-	-	-	-
<b>1.9 Total non-current assets</b>	<b>1,375,238</b>	<b>1,445,126</b>	<b>1,445,126</b>	<b>1,430,906</b>
<b>CURRENT ASSETS</b>				
2.1 Stocks and work in progress	20,604	21,632	21,632	20,100
2.2 Debtors: amounts falling due within one year	56,862	56,998	56,998	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	17,931	17,931	15,500
<b>2.6 Total current assets</b>	<b>90,738</b>	<b>96,561</b>	<b>96,561</b>	<b>86,350</b>
3.0 CREDITORS: amounts falling due within one year (-)	- 334,589 -	- 341,855 -	- 341,855 -	- 304,500 -
<b>4.0 NET CURRENT ASSETS / (LIABILITIES)</b>	<b>(243,851)</b>	<b>(245,294)</b>	<b>(245,294)</b>	<b>(218,150)</b>
<b>5.0 TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,131,387</b>	<b>1,199,832</b>	<b>1,199,832</b>	<b>1,212,756</b>
6.0 CREDITORS: amounts falling due after more than one year (-)	- 10,598 -	- 10,899 -	- 10,899 -	- 9,850 -
7.0 PROVISIONS FOR LIABILITIES AND CHARGES (-)	- 129,544 -	- 173,220 -	- 173,220 -	- 127,814 -
<b>8.0 TOTAL ASSETS EMPLOYED</b>	<b>991,245</b>	<b>1,015,713</b>	<b>1,015,713</b>	<b>1,075,092</b>
<b>FINANCED BY:</b>				
9.0 Revaluation reserve	364,486	413,813	413,813	364,205
10.0 Donation reserve	-	-	-	-
11.0 Other reserves	-	-	-	-
12.0 General fund	626,759	601,900	601,900	710,887
	<b>991,245</b>	<b>1,015,713</b>	<b>1,015,713</b>	<b>1,075,092</b>

**TABLE 2(a) - CALCULATION OF AVERAGE RELEVANT NET ASSETS AND COST OF CAPITAL CHARGE**

	0	0	0
	£k	£k	£k
13.0 Total capital and reserves	991,245	1,015,713	1,003,479
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	1,015,713	1,003,479
<b>17.0 FORECAST COST OF CAPITAL AT 3.5%</b>			<b>35,122</b>

Table 3

## Belfast Trust

### Salaries & Wages Supplementary Schedule

Pay Cumulative to the end of	Mar 22		
	Cumulative Budget £'000	Cumulative Expenditure £'000	Cumulative Variance £'000
<b>Directorate</b>			
Specialist Hospitals & Women's Health	162,044	166,375	4,331
Adult Social & Primary Care	236,095	234,595	(1,500)
Surgery & Specialist Services	201,849	199,489	(2,360)
Unscheduled & Acute Care	310,745	315,800	5,055
Children's Community Services	58,589	57,745	(844)
Finance, Estates & Capital Development	42,141	39,736	(2,405)
Nursing & User Experience	75,239	74,180	(1,059)
Other Pay including Corporate Directorates	49,411	48,950	(461)
<b>Total Salaries &amp; Wages</b>	<b>1,136,113</b>	<b>1,136,870</b>	<b>757</b>

Table 4

# Belfast Trust

## Goods & Services Supplementary Schedule

Goods Cumulative to the end of	Mar 22		
	Cumulative Budget £'000	Cumulative Expenditure £'000	Cumulative Variance £'000
<b>Directorate</b>			
Specialist Hospitals & Women's Health	62,091	63,949	1,858
Adult Social & Primary Care	213,521	220,763	7,243
Surgery & Specialist Services	161,267	161,243	(24)
Unscheduled & Acute Care	120,445	120,444	0
Children's Community Services	36,480	37,647	1,166
Finance, Estates & Capital Development	17,771	17,543	(229)
Nursing & User Experience	20,092	19,548	(544)
Other G&S including Corporate Directorates	145,965	135,590	(10,375)
<b>Total Goods &amp; Services</b>	<b>777,633</b>	<b>776,728</b>	<b>(906)</b>

TABLE 5

## CAPITAL EXPENDITURE (excluding donated assets)

	Project Business Case Status	Scheme Description	Actual Capital	Forecast Total	Notified CRL
			Expenditure to date 2021/22	Expenditure 2021/22	2021/22
			£k	£k	£k
Major capital and other specifically funded schemes	Approved schemes	RVH Maternity New Build	14,221,380	14,221,380	14,221,380
		RVH - Regional Children's Hospital Enabling and Ener	5,533,586	5,533,586	5,533,585
		RVH - Children's Hospital Site Infrastructure	5,307,675	5,307,675	5,307,675
		RGH Energy Centre	3,366,687	3,366,687	3,366,688
		Belfast Trust R&D Commerical Income	(5,848,953)	(5,848,953)	(6,000,000)
		Belfast Trust R&D Commerical Income Spend	5,848,953	5,848,953	6,000,000
		Glenmona Resource Centre	166,348	166,348	166,348
		100,000 Genomes R&D	0	0	0
		100,000 Genomes Capital Items	283,772	283,772	211,619
		GP Improvement Scheme Trust Owned	280,038	280,038	280,000
	Unapproved schemes	Regional Radio-pharmacy Facility	436,453	436,453	436,453
		ICT	13,470,187	13,470,187	13,472,742
		Troubles Permanet Disablement scheme	0	0	10,000
		0	0	0	
		0	-	-	
		0	-	-	
		0	-	-	
		0	-	-	
		0	-	-	
		0	-	-	
<b>Sub total</b>			<b>43,066,126</b>	<b>43,066,126</b>	<b>43,006,490</b>
			0	-	-
Delegated schemes funded from general capital and other local resources	General Capital	General Capital	31,212,360	31,212,360	31,285,087
		Imaging Diagnostics	900,000	900,000	900,000
		Covid-19 General Capital	947,427	947,427	948,000
		Delivery of Dentistry	71,640	71,640	342,000
		Medical Gases	358,539	358,539	800,000
		Backlog Maintenance	7,998,023	7,998,023	8,000,000
		Invest to Save	1,948,009	1,948,009	1,960,000
<b>Sub total</b>			<b>43,435,998</b>	<b>43,435,998</b>	<b>44,235,087</b>
<b>Total</b>			<b>86,502,124</b>	<b>86,502,124</b>	<b>87,241,577</b>
<b>(Over)/Underspend against the CRL</b>					

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

