Belfast Health and Social Care Trust

TRUST BOARD

MEETING	Trust Board	Ref No. 8.1
DIRECTOR	Director of Finance, Estates and Capital Development	Date:6 April 2023

2022/23 Month 11 Finance Report

Purpose	• Finance performance report for the period April-February 2023 • Update on year end forecast and 2023/24 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 February 2023 • An update on the projected financial position for 2022/23 • Update on 2023/24 financial planning
Recommendations / Actions	**This report is for discussion and noting.**

Trust Board Financial Performance Report for the eleven months to 28 February 2023

1. Executive Summary

1.1 The Belfast Trust began the financial year with an opening gross deficit of £125m prior to any 2022/23 budgetary allocation.

1.2 In the absence of a functioning Executive to sign off the 2022/23 Budget and given the scale and complexity of HSC's financial environment, the Minister approved a limited number of allocations to support this year's financial planning. This allowed the Strategic Performance and Planning Group (SPPG) to allocate a draft budget to the Trust, comprising assumed income for pressures, an additional pharmacy savings target and a contribution to the Trust's underlying deficit.

1.3 Whilst no additional general savings target was imposed, SPPG assumed that the Trust could at least repeat the level of savings achieved in 2021/22 in 2022/23 (£27m) which was subsequently revised upwards to £33m.

1.4 In October 2022, the Minister agreed further indicative allocations to fund elements of inflationary pressures, a contribution towards demographic growth pressures and an amount towards the deficit. Based on the above assumptions and draft allocations made to date, the Trust's deficit is currently forecast at £6.8m. This high level financial plan is shown in Appendix A.

1.5 A key objective of the new Permanent Secretary is to improve efficiency in the HSC, with a particular focus in 2022/23 on reducing agency costs. A regional target of £20m was set, and BHSCT's share of this is approximately £4.8m CYE and £6.5m FYE; delivery of this is assumed in the forecast position. Work is continuing, through a series of nursing workforce workshops, to review in detail nursing baseline and backfill costs and to ensure that rosters are effectively managed and robust backfill management arrangements are in place in order to achieve this target on a recurrent sustainable basis.

1.5 The month 11 position is a £6.2m deficit which is in line with the forecast for the year. One of the most significant cost pressures continues to be nursing pay, attributable to high cost agency backfill which in turn is attributed to high vacancy levels in some areas (albeit vacancies overall have reduced considerably), increased sickness absence levels and unfunded beds. Nurse off-contract agency costs have increased this year despite a significant reduction in band 5 nurse vacancies through the recruitment of international nurses. As a result the agency target has had to be delivered through other non-recurrent means in 2022/23, although these non recurrent savings will not be available in 2023/24 to meet this recurrent target.

1.6 Other areas of overspend are medical pay where agency/locum costs remain high, MAH, foster care and high cost complex cases. There are also significant pressures associated with domiciliary care and community beds linked to demographic growth. There have been significant inflationary increases in estates, foods, fuels and other goods and services costs which are no longer being masked by underspends in respect of downturn of business as usual.

1.7 The Trust has an indicative underlying opening deficit of £78.5m going into 2023/24, rising to £138.5m to reflect the full year effect of pressures which have arisen during the last year or for which plans are in place (£60.5m in total). SPPG has advised that for financial planning purposes the Trust should deliver savings of 1% in 2023/24 (£17m) as well as a share of a £20m regional agency savings target (£6.5m). The resulting opening deficit is circa £115m, excluding any pressure associated with energy.

1.8 The financial position in 2023/24 is expected to remain seriously constrained with the expectation at this point that the HSC budget will be flat cash at best and therefore not sufficient to meet Trust deficits. As a result, Trusts have been asked to prepare scenarios to reduce expenditure by a further 3% or 5% in 2023/24, which will be used to inform discussions with the Department of Finance around the 2023/24 budget settlement. This equates to £51m-£85m for the Belfast Trust in addition to the circa £17m of non-recurrent savings delivered this year which SPPG expects to be repeated and the £6.5m agency spend reduction.

2. Detailed breakdown of 2022/23 Financial Position

2.1 The 2022/23 allocation, issued by SPPG in June 2022, allowed some working assumptions to be made on the opening 2022/23 position, for example the Trust was advised to assume that energy pressures would be funded in full. Funding was provided for some specific cost pressures and SPPG also contributed £15.6m non recurrent funding towards the Trust's underlying deficit.

2.2 No efficiency savings target was imposed this year with the exception of an additional MORE pharmacy savings target of £3.8m. It should be noted that after years of sustained significant savings in high cost drugs, the Trust was unable to achieve its MORE pharmacy savings target in 2021/22. Planned pharmacy savings of £4.4m in 2022/23 have been used to meet the previous year's savings shortfall with only a small contribution to this year's target.

2.3 The Trust had agreed to deliver further non recurrent savings over and above last year's amount and identified non-recurrent savings of circa £33m which have been achieved through a combination of in-year slippage on investments, rebates and accounting adjustments.

2.4 In November 2022, SPPG advised the Trust of its share of the regional agency reduction target, £4.87m, and this was increased by £1.3m in December. Despite that fact that the Trust's bespoke international recruitment programme has been an enormous success and band 5 vacancy levels are now around 5%, agency costs are not reducing at the same level. This is attributable in part to increased sickness levels and a lead-in training period for new nurses. At the same time, work is currently underway, through nursing workforce workshops, to review in detail directorate nursing baseline and backfill spend and to ensure effective roster and backfill management across the Trust. Medical admin teams are also developing databases with which they can scrutinise agency spend in an attempt to contain and reduce costs in that area.

2.5 In October 2022, the Minister agreed further additional funding for elements of growth pressures, inflationary pressures and deficit funding. Inflationary pressures have not been met in full and there is a risk of further emerging pressures which will increase the deficit, although there is now expected to be a reduction in the energy pressure in year. The Trust has also now been advised of the COVID-19 funding it will receive and expects that COVID-19 will now be in breakeven.

2.6 The residual forecast deficit, after accounting for this assumed income, is circa £6.8m and the Trust will be given this as a control total along with cover from SPPG which will recognise that HSC is operating in recovery mode. Further details on the financial position can be found in Appendix A.

2.7 The Permanent Secretary, via SPPG, continues to focus on developing performance management arrangements linking activity to finance as the year progresses.

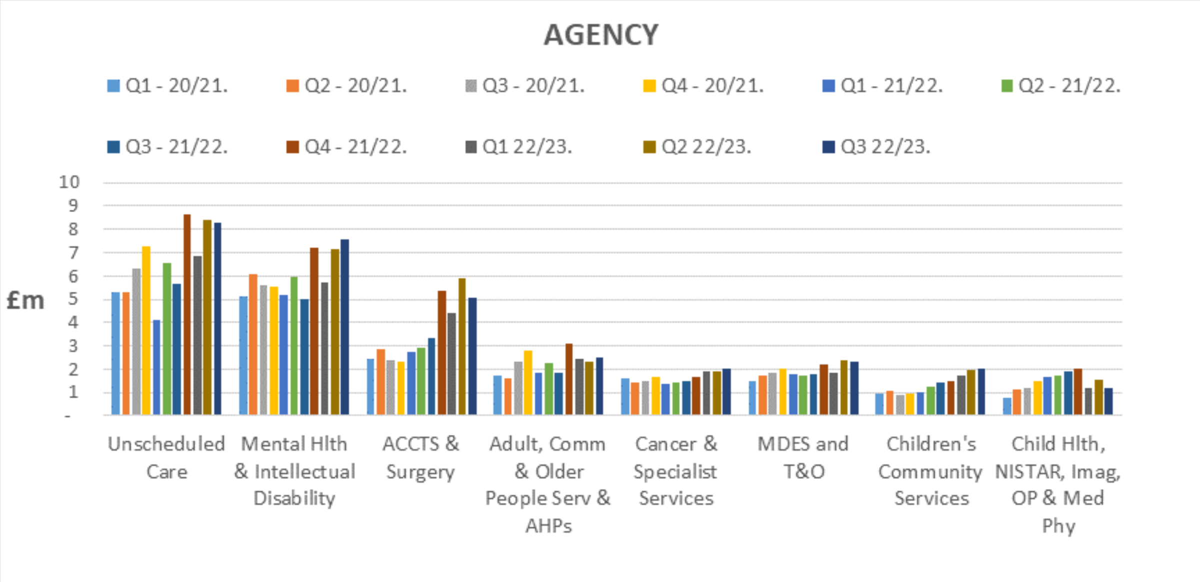
3. Financial Performance at 28 February 2023

3.1 At the end of February 2023, the Trust is showing a £6.2m deficit which is in line with a forecast deficit of £6.8m.

3.2 There are now no underspends in G&S in the large acute directorates relating to underperformance against funded activity due to both increases in activity levels and inflationary pressures, with all service directrorates now showing overspends. There have been a significant number of notifications of inflationary increases which the Trust is working with BSO to capture and quantify and this has been raised as an inescapable pressure for 2023/24. Care management is under significant pressure which is associated with increased levels of domiciliary care; whilst the cost pressure associated with this was partially offset by a reduction in nursing and residential home placements last financial year, this is no longer the case. The current pressure between these two areas is forecast to be in excess of £4m, after allowing for new demography funding in 2022/23. There has been a further increase in private fostering costs this year of circa £1m, and pressures in drugs across the acute directorates and M&S supplies have added to the deficit by around £1m.

3.3 The ongoing pressure in relation to workforce continues in 2022/23 with the main area of overspend being nursing in the Unscheduled Care directorate, which is £17m overspent after 11 months. This is attributable to premium backfill costs associated with high levels of vacancy in the urgent care centre, increased sickness and unfunded escalation ward areas. ACCTSS and surgery nursing is also overspent by £8.8m after eleven months. Nurse agency hours usage has decreased marginally in February in unscheduled care in line with international nurses being recruited but other areas are not seeing any notable decrease. Further reductions are required into next year as staffing levels continue to improve and agency usage reduces. This will be closely monitored through the nurse agency reduction implementation group.

3.4 Agency spend at month 11 is £115.5m (nursing £61.5m, medical £22.6m). This is £24.4m higher that this time last year and is £20.7m (22%) higher than the pro rate of year end agency costs with the main growth area being nursing. The graph below shows agency costs for quarter 1, 2, 3, and Q4 2020/21 & 2021/22 against the Q1, Q2, Q3 2022/23.



3.5 The financial position at 28 February 2023, by directorate, is shown below:

Summary Position by Directorate at end February 2023

Directorate	Budget £'000	Expenditure £'000	Variance £'000
Maternity, Dental, ENT & Sexual Hlth & T&O	132,838	136,581	**3,743**
Child Health & NISTAR & Imaging	133,447	136,249	**2,802**
Adult, Comm & Older People Serv & AHPs	274,031	271,880	**(2,151)**
Mental Health & Intellectual Disability	191,778	194,133	**2,355**
Cancer & Specialist Services	221,957	220,662	**(1,295)**
Unscheduled Care	197,604	217,316	**19,712**
ACCTSS & Surgery	205,285	215,385	**10,100**
Social Work & Children's Community Services	90,141	91,656	**1,515**
Finance, Estates & Capital Development	40,327	38,043	**(2,284)**
Nursing & User Experience	90,405	90,715	**310**
Other including Corporate Directorates	177,782	150,460	**(27,322)**
Total Overspend	**1,755,595**	**1,763,080**	**7,485**

Note: There is a small income surplus of £1.05m and a profit on disposal of fixed asset of £200k which, added to the deficit above, gives a deficit of £6.2m.

4. Financial Planning 2023/24

4.1 The HSC budget for 2023/24, whilst not yet confirmed, is expected to be severely constrained with the best possible scenario being a flat cash budget.

In this scenario there would be a gap of some £500m. The Trust has responded to a request from SPPG to submit possible savings scenarios to achieve an additional 3% or 5% (£51m/£85m) in cost reductions in 2023/24, with high level projections estimated for each scenario where possible. The Trust's response was sent to SPPG on 24 January 2023. The response stressed that these are purely scenarios, have no formal status and do not constitute a plan to reduce the Trust's deficit. There has been no detailed analysis of the significant, and in some cases catastrophic, impacts each scenario would have on the population we serve and there would be major concerns about their implementation. Moreover, any decision to consider any of the measures included would be subject to Trust Board approval and requisite consultation processes.

4.2 The Trust has separately responded to SPPG after reviewing the Trust's anticipated 2023/24 financial position. The indicative underlying deficit rolled forward from 2022/23 is £78.5m, excluding energy pressures but including £19m of new recurrent funding for a small number of specific prior year's inescapable pressures. The £78.5m excludes the full year effect cost of pressures that have arisen in 2022/23 or those associated with planned service increases including high cost placements for example. Accounting for these growth pressures (£60.2m) as well as an SPPG general savings target of 1% (£17m) and an agency target of £6.5m, the opening deficit in 2023/24 rises to £115m. This figure excludes any above-inflation energy pressure, which is expected to be in region of £40m, and any new pressures which may emerge during 2023/24.

4.3 The Trust will continue to develop its Delivering Value Plan (DVP) in view of the significant anticipated deficit and the Permanent Secretary's focus on productivity and efficiency. This plan is aimed at rebuilding financial control, containing costs and improving efficiency and productivity across the Trust. The plan will build on workforce plans and controls initiated during 2022/23, focusing on reducing vacancies and sickness absence and managing rosters and backfill more effectively. A particular focus will be placed on reducing and ultimately eliminating off-contract agency spend to ensure that the agency savings target is achieved on a glide path to bringing staff costs back into budget.

4.4 The DVP is also focused on productivity improvements with an emphasis on outpatient and inpatient reform in line with best practice elsewhere. Work is being developed at directorate level to improve the Trust's performance across a range of productivity measures such as length of stay, theatre utilisation and discharge in response to the 2021/22 CHKS review.

4.5 Budgetary control management and implementation of the Trust's Delivering Value Plan will be regularly monitored through the QMS and MORE frameworks.

4.6 The DoH are in the process of establishing a Best Value Programme Board, chaired by the DoH but with senior membership across policy, operational and clinical colleagues.

5. Summary Capital Position

5.1 The Trust's latest Capital Resource Limit (CRL) issued by the Department of Health for 2022/23 is dated 13 March 2023.

5.2 The total capital allocation is £64.7m. This consists of ring-fenced and specifically funded schemes totalling £42.1m and a general capital allocation of £22.6m.

5.3 Recent adjustments include retractions of £0.126m IFRS 16 leases, £0.23m imaging diagnostics and £0.143m ICT to reflect revised year-end projections. These retractions were reallocated as general capital funding with an additional £0.678m.

5.4 The Trust's projected capital outturn position for 2022/23 is breakeven.

Summary High Level Opening Gap 2022/23 after savings APPENDIX A

Financial Planning 2022/23		
	22/23	
	CYE	
	£'k	£'k
Residual opening deficit	1,433	
2018/19 General Savings Target shortfall	8,500	
2019/20 General Savings Target shotfall	17,650	
2019/20 Car parking savings target shortfall	947	
2020/21 General Savings Target shortfall	18,446	
21/22 MORE pharmacy savings shortfall	1,433	
		48,409
Gross Opening Deficit 2022/23 before pressures		**48,409**
Inescapable & unfunded 18/19 pressures	11,336	
Inescapable & unfunded 19/20 pressures	8,230	
Inescapable & unfunded 20/21 pressures	1,159	
Inescapable & unfunded 21/22 pressures	6,068	
Inescapable & unfunded 22/23 pressures	49,419	
		76,212
Gross Opening Deficit 22/23		**124,621**
Recurrent pharmacy savings 22/23	3,758	
		3,758
Gross Opening Deficit after saving target in 2022/23		**128,379**
Adjustments by SPPG:		
		(47,187)
Adjusted deficit to allow for adjustments by SPPG/Income		**81,192**
Non recurrent slippage opportunities	(27,000)	
Recurrent MORE Pharmacy savings	(3,600)	
Revised Deficit as per initial plan 22/23		**50,592**
Adjustments 6-10-22		
SPPG adjustments		
Energy	5,589	
Assume additional energy funded	(5,589)	
Further non rec savings identified	(5,155)	
Additional drugs saving	(845)	
Allocation for inflationary pressures included in deficit	(5,464)	
Allocation for demand/inescapable pressures	(9,340)	
Additional in year deficit support	(23,038)	
BHSCT Adjustments		
inflationary pressures (not funded by SPPG)	2,389	
new emerging pressures	2,669	
reduction in transformation deficit	(1,486)	
Further non rec savings	(1,300)	
Additional income for pressures	(812)	
Additional inflationary pressures- Roche 5.4%	468	
Profit on disposal of fixed assets	(250)	
Additional income Covid RCCE	(500)	
IFRS 16 impact	3,400	
Slippage on energy	(2,400)	
Additional savings	1,300	
Additional slippage	(1,117)	
		(41,481)
Revised Deficit 22/23		**9,111**
savings re agency target		(4,872)
Revised Deficit		**4,239**
Domicillary care/intermediate beds pressure estimated		2,550
residual deficit		**6,789**