Belfast Health and Social Care Trust

TRUST BOARD

MEETING	**Trust Board**	**Ref No. 7.1**
DIRECTOR	**Director of Finance**	**Date 4 Feb 2021**
2020/21 Month 9 Finance Report		
Purpose	• Finance performance report for (April-Dec 2020) • Update on 2020/21 forecast position including COVID spend	
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 December 2020 • An update on the financial position for 2020/21	
Recommendations/Actions	**This report is for discussion.**	

Trust Board Financial Performance Report for the nine months to 31 December 2020

1. Executive Summary

1.1 Whilst the Trust achieved breakeven in 2019/20, much of the in-year reduction in the Trust's opening financial deficit was attributable to one-off, non-repeatable measures and non-recurrent funding. As a result, during 2019/20, the Trust had identified a 2020/21 opening funding deficit of around £50.3m.

1.2 The HSCB indicative 2020/21 allocation, issued in June 2020, did not include any recurrent or non recurrent funding to address any rolled forward unmet savings targets or inescapable pressures from previous years. DoH, through HSCB, also levied a new savings target comprising the Trust's equity adjusted share of a £50m regional general Trust savings target (£18.5m) and £3.89m of an £12m regional secondary care pharmacy savings. This resulted in an increase in the opening deficit from £50.3m to £72.7m.

1.3 With the exception of additional pharmacy savings of £3.89m which would meet the regional pharmacy savings target in full, the Trust declared that it would be unable to make any material cash-releasing savings in 2020/21. Furthermore, productivity savings would be required to cover a number of emerging pressures to avoid the underlying deficit increasing further. However, in developing the financial plan early in 2020/21, the Trust identified a significant level of non-recurrent expenditure reductions, of circa £51m, a significant element of which related to activity downturn associated with the Trust's COVID-19 response. This would reduce the in-year deficit to circa £18m which was included in the Trust's draft financial plan in July 2020.

1.4 The forecast position has been amended a number of times to reflect the changing position in terms of available COVID funding and the impact of the pandemic on Trust activity. The Trust has submitted an analysis of COVID-19 related spend, along with proportionate business cases where appropriate, and is assuming that all such expenditure will be fully funded by earmarked DOH COVID-19 funding. On the basis of the December financial position and the ongoing challenges presented by COVID-19, the Trust has experienced and will continue to experience a significant reduction in elective activity and in areas such as estates where so much of the work continues to focus on the repurposing and social distancing works, the cost of which is funded separately through DoH COVID-19 monies. The ensuing underspends against estates and other G&S budgets, as well as a reduction in the staff expenditure run rate compared with previous years, are expected to offset the Trust's residual underlying deficit and deliver a break even position.This revised projection has been shared with HSCB and DoH colleagues.

1.5 The DoH anticipated opening allocation for 2021/22 is likely to be less than previous years and a significant element may be non-recurrent in nature, including funding for COVID-19 expenditure tails. It is also likely that the Trust will benefit from non-recurrent underspends, laregely in goods and services, if business does not return to normal by April 2021. This may help reduce the potential Trust deficit in 2021/22 but will not help address the Trust's recurrent underlying deficit of £66.5m. The Trust has developed a financial outlook paper which clearly articulates the recurrent underlying deficit and additional financial pressures and risks for 2021/22 pending clarity on the 2021/22 DOH financial plan. 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. The Trust expects that it would need circa £130m (excluding COVID-19 costs which we assume will be fully funded) to achieve recurrent financial balance in 2021/22. This figure does not reflect any non-recurrent savings or income although we fully expect the most significant new cost pressures, such as pay uplifts, high cost drugs and FYE of 2020/21demography, will be funded. The draft paper has been shared with DoH.

2. 2020/21 Financial Plan

2.1 The DoH opening allocation for 2020/21 was £399.6m, representing a funding increase of around 6.9% compared with the opening 2019/20 allocation. However, the budget settlement, when set against Trusts' forecast costs to maintain existing services, was insufficient. No funding was allocated for 2020/21 emerging cost pressures despite the fact that it is widely acknowledged that significant pressures will arise each year in both health and social care services and indeed until recently financial provision to Trusts would have been made on that basis. The DoH position assumed that £77m and £101m of cost reduction measures identified for implementation in 2019/20 and 2018/19 respectively would be delivered recurrently and that an additional £72m of cost reduction measures would be achieved in 2020/21. On the basis of these assumptions, the Department of Health forecast a funding gap in its resource budget of at least £34.6m prior to any deficits at Trust level. This position preceded COVID-19, the financial impact of which was continuously monitored on a monthly basis and year end projections for Trusts and DoH adjusted accordingly.

2.2 Although the Belfast Trust ended the 2019/20 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 (£20m), one-off accounting measures, and both internal and HSCB slippage on a number of service developments (£24.5m). The year-end outturn position did not adequately reflect the severe financial challenges encountered in 2019/20 which had to be factored into the recurrent the 2020/21 position.

2.3 In 2019/20, the Trust began the year with an opening deficit of £70m which was subsequently reduced through recurrent funding of £44m and a marginal reduction in rolled forward pressures. Against the 2019/20 savings target of £22.5m FYE, recurrent pharmacy savings of £3.9m were identified and £3.8m general efficiencies against the 2018/19 target. The opening deficit was increased to reflect 2019/20 emerging pressures of £8.8m FYE. This gave a net opening deficit for 2020/21, before recurrent savings, of £50.3m.

2.4 The HSCB indicative 2020/21 allocation, issued in June 2020, did not include any recurrent or non recurrent funding to address prior year unmet savings targets or unfunded inescapable pressures. This resulted in a residual opening deficit of £50.3m, comprising a residual 2017/18 deficit of £1.7m, a recurrent gap in relation to 2018/19 unmet savings of £9.7m, 2018/19 unfunded inescapable pressures of £11.5m, a recurrent gap in relation to 2019/20 unmet savings of £18.6m, and 2019/20 inescapable cost pressures of £8.8m.

2.5 DoH, through HSCB, also levied a new savings target, comprising the Trust's equity adjusted share of a £50m regional general Trust savings target (£18.5m) and £3.89m of an £12m regional secondary care pharmacy savings.

2.6 The Trust's draft financial plan, submitted in early July 2020, identified an anticipated deficit of £17.8m. It assumed that the Trust would be able to achieve expenditure reductions of £20m through slippage on investments and other accounting adjustments, a further £23m due to activity downturn during COVID-19, a funding contribution of £7m towards existing funded costs in relation to COVID initiatives staffed by redeployed staff, £5m additional income from HSCB in lieu of slippage on planned high cost drugs costs, and a further £3m additional income for residual MAH pressures. New pharmacy savings of £3.89m were reflected to arrive at a deficit of £17.8m. The draft financial plan assumed that any additional costs associated with COVID-19 would be funded in full.

2.7 DoH colleagues subsequently advised that the Trust should not assume the £7m funding for new COVID-19 services which are provided by existing funded staff or the £3m for regional slippage on high cost drugs. However, the Trust has been able to address this post-financial plan funding shortfall through additional energy cost savings, in-year slippage and additional income including monies received for pressures and rates.

2.8 Following an in-depth review of the financial position in October 2020 and subsequent months to reflect the ongoing impact of COVID-19, the Trust anticipates that the Trust will breakeven by year end. This has largely been achieved as a result of underspends arising from the downturn in activity during the pandemic. There have been substantial cost reductions in goods and services, particularly in specialties where high cost consumables are used, and in estates where much of the work continues to relate to the repurposing of areas for COVID-19 services or to comply with social distancing and is funded from earmarked COVID-19 monies. A breakdown of the change in position since the beginning of the year is shown in Annex 1.

2.9 DoH colleagues are currently assessing the regional funding requirement for COVID-19. The Trust has provided forecast COVID-19 spend for existing measures in place and has estimated the additional costs of specific measures implemented to deal with the second surge. In addition, the Trust projected costs in relation to restart and rebuild costs associated with new COVID-19 services. The Trust estimates additional COVID-19 funding needed this year is £88m (above the £2m already received), including vaccination clinic costs, although in reality this outstanding funding requirement depends on the duration and impact of the third surge and could range from £85m to around £90m depending on how accurate PPE and other costs are. In addition, DoH has funded an estimated additional 5 days annual leave accrual, over and above 3.08 days already accrued for. This accrual could increase further once we have a clearer position on outstanding annual leave.

3. Financial Performance at 31 December 2020

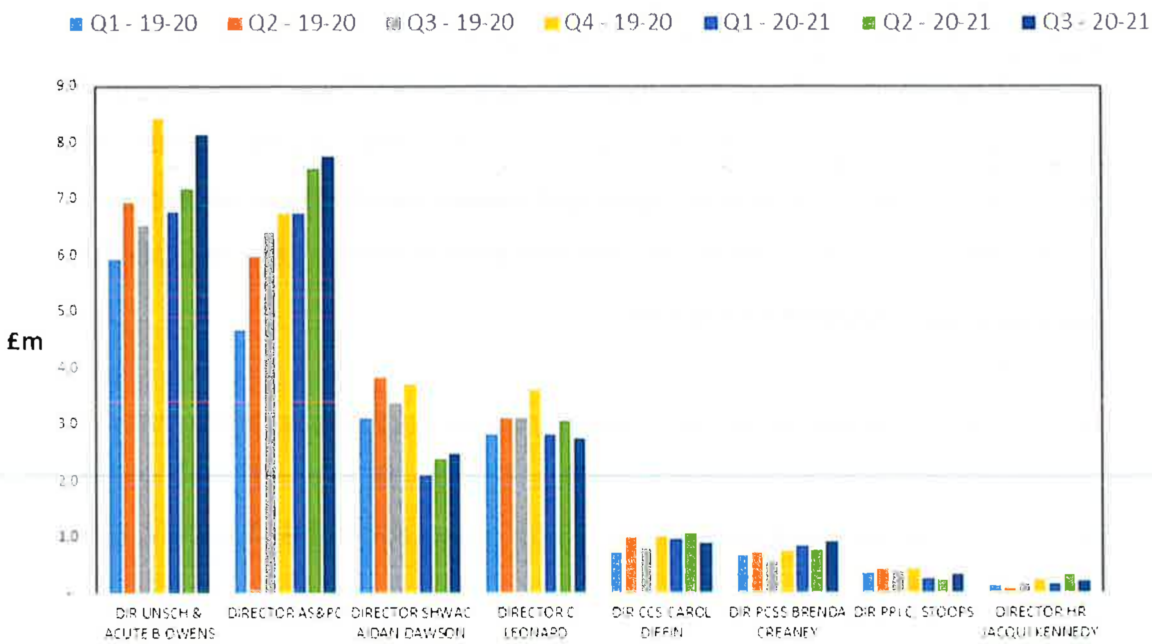
3.1 At the end of November 2020, the Trust is showing an £532k deficit. After working through assumptions, the Trust expects to breakeven at year end. All planned savings have been achieved to date.

3.2 There are significant underspends being seen within G&S in the large acute directorates due to the underperformance against funded activity during the first eight months, amounting to circa £18m. The pay overspend has reduced in comparison to last year by £4.1m and is currently at a break even position. This underspend is primarily being offset against prior year unmet savings targets. It should be noted that the underspends are reported at directorate level but the savings target is being held centrally and has been prorated against the underspend in the first number of months. These underspends will need to continue during the year and cannot used to fund additional activity. The break even financial plan assumes a further £8m of G&S underspends related to COVID-19.

3.3 The COVID-19 spend to month 9 was £64m and is forecast to be circa £90m; it is assumed that this will be fully funded. COVID-19 expenditure includes £12.3m for additional workforce and £32m on equipment and supply, primarily PPE.

3.4 The ongoing pressure in relation to workforce continues in 2020/21. Agency usage is £5m (7.7%) higher that the same period in 2019/20, mainly attributable to nursing agency, which has increased from £26.8m to £32.6m (120% increase) due to increased usage of off-contract. The graph below shows agency costs for quarters 1, 2 and 3, against the four quarters of 2019/20 by directorate. Nurse bank usage has decreased to two thirds of 2019/20 levels.

Agency spend by Directorate



The financial position at 31 December 2020, by directorate, is shown below. The significant underspends at directorate level reflect the considerable COVID-related G&S underspends at this point.

Summary Position by Directorate at end December 2020

Directorate	Budget £'000	Spend £'000	Variance £'000
Specialist Hospitals & Women's Health	151,386	145,959	(5,427)
Adult Social & Primary Care	313,812	312,854	(958)
Surgery & Specialist Services	235,285	233,882	(1,403)
Unscheduled & Acute Care	293,644	288,388	(5,256)
Children's Community Services	66,891	66,096	(795)
Finance, Estates & Capital Development	31,041	29,319	(1,722)
Nursing & User Experience	64,513	61,906	(2,607)
Other including Corporate Directorates	116,630	135,595	18,966
Total	**1,273,202**	**1,274,000**	**798**

Note: There is also a small income surplus of £266k which, added to the deficit above, gives a deficit of £532k

4. Key Assumptions and Risks

4.1 The Trust has assumed at this stage that additional COVID-19 related spend is fully funded and that any underspends in relation to underperformance can be used non recurrently as a saving against the deficit.

4.2 It is also assumed that any elective care waiting list work and costs associated with high cost drugs will be fully funded in 2020/21. Spend on transformation as at month 9 is £9.4m with year end forecast being £14m.

4.2 A number of other income assumptions have been made in arriving at the month 9 and the anticipated outturn position and the Trust is continuing to work closely with HSCB to confirm these assumptions. It is assumed that there will be no further income given to the Trust that it has not already accounted for.

5. Summary Capital Position

5.1 The Trust's latest Capital Resource Limit (CRL) issued by the Department of Health for 2020/21 is dated 15 January 2021.

5.2 The total capital allocation is £64.16m adjusted for £0.395m relating to the net book value of McCartney House following its disposal. This consists of specific schemes totalling £32.92m and a general capital allocation of £31.64m.The latest CRL letter includes an increases of £4.54m for ICT schemes, £2.48m for ICT Covid-19 related schemes, £2.48m for General Capital and £5.44m for Covid-19 related expenditure including £4.50m for CCaNNI (Critical Care Network Northern Ireland) equipment.

5.3 An allocation of £57k has been received for 2020/21 costs relating to the Regional radiopharmacy facility scheme.

5.4 The Trust's projected capital outturn position for 2020/21 is breakeven. The progress of schemes throughout the year will be monitored each month and should there be any changes identified to the annual spend profiles, these will be highlighted. The current overspend in relation to Covid CRL will be funded.

Annex 1

Summary High Level Opening Gap 2020/21 after savings

	£'m	£'m
Residual opening 2018/19 deficit		**37.8**
Unmet 2018/19 savings target	13.5	
2018/19 inescapable pressures	19.2	
Net opening deficit 2019/20		**70.5**
Recurrent funding towards rolled forward deficit given 19/20	(36.1)	
Recurrent funding towards 18/19 pressures	(7.6)	
Residual opening deficit 2019/20		**26.7**
2019/20 General Savings Target	17.6	
Regional pharmacy Target	3.9	
Car Park savings	1	
Total Savings Target 2018/19		22.5
Gross Opening Deficit for 2019/20		**49.2**
Recurrent 2019/20 Savings		
General Savings against 2018/19 Target	(3.8)	
Regional pharmacy	(3.9)	
Total savings 2019/20		(7.7)
Deficit 2019/20 after savings		**41.5**
Other Inescapable cost pressures- FYE 2019/20	8.8	
Revised opening Deficit 2020/21		**50.3**
2020/21 savings targets		
MORE pharmacy	3.887	
General efficiency	18.446	
		22.4
Revised opening Deficit 2020/21 after savings target		**72.7**
Proposed 2020/21 savings		
MORE pharmacy	(3.887)	
Slip & Accounting adjustments	(32.7)	
Anticipated expenditure reductions due to service downturn during COVID-19	(26.3)	
HSCB assumed income for residual MAH pressures	(3.0)	
Reduction in high cost drugs/cases	(2.0)	
Downturn pressures in deficit now funded	(1.8)	
Slippage on estates work	(3.0)	
		(72.7)
Revised opening deficit after savings		**0.0**

TABLE 1 NET EXPENDITURE ACCOUNT Dec-20	Year to Date		
	Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure:			
Staff costs	790,747	791,563	816
Depreciation:	44,361	44,361	0
Other expenditure	482,455	482,437	(18)
Total expenditure	1,317,563	1,318,361	798
Income:			
Income from activities	34,321	34,393	72
Other income	32,440	32,634	194
Total income	66,761	67,027	266
Net expenditure	**1,250,802**	**1,251,334**	**532**
Less adjustments:			
Profit / (loss) on disposal of fixed assets	0	0	0
Depreciation	(41,156)	(41,156)	0
Amortisation	(3,205)	(3,205)	0
Impairments	0	0	0
Total adjustments	(44,361)	(44,361)	0
Net resource outturn	**1,206,441**	**1,206,973**	**532**
Calculation of Revenue Resource Limit (RRL)			
Allocation from HSCB	1,175,583	1,175,583	0
Allocation from PHA	14,197	14,197	0
DHSSPS non-cash RRL issued	0	0	0
SUMDE & NIMDTA (now only NIMDTA-SUMDE under HSCB RRL)	16,661	16,661	0
Revenue Resource Limit	**1,206,441**	**1,206,441**	**0**
Surplus / deficit against RRL	**0**	**(532)**	**(532)**

Table 3

Belfast Trust

Salaries & Wages Supplementary Schedule

Pay Cumulative to the end of	December 2020		
Directorate	Cumulative Budget £'000	Cumulative Expenditure £'000	Cumulative Variance £'000
Specialist Hospitals & Women's Health	112,935	113,303	368
Adult Social & Primary Care	166,860	167,354	494
Surgery & Specialist Services	141,724	142,928	1,204
Unscheduled & Acute Care	214,094	216,836	2,742
Children's Community Services	41,388	40,407	(981)
Finance, Estates & Capital Development	19,855	18,226	(1,629)
Nursing & User Experience	51,144	50,372	(772)
Other Pay including Corporate Directorates	42,747	42,137	(610)
Total Salaries & Wages	790,747	791,563	816

TABLE 5

CAPITAL EXPENDITURE (excluding donated assets)

	Project Business Case Status	Scheme Description	Actual Capital Expenditure to date 2020/21 £k	Forecast Total Expenditure 2020/21 £k	Notified CRL 2020/21 £k
Major capital and other specifically funded schemes	Approved schemes	RVH Maternity New Build	9,900,918	11,358,402	11,358,402
		RVH Critical Care Block	483,120	483,120	483,120
		RVH - Regional Children's Hospital Enabling and Ener	2,574,370	5,242,000	5,242,000
		RVH - Children's Hospital Site Infrastructure	331,544	1,244,629	1,244,629
		RGH Energy Centre	300,400	1,511,769	1,511,769
		Belfast Trust R&D Commerical Income	- 3,166,843	- 6,750,000	- 6,750,000
		Belfast Trust R&D Commerical Income Spend	3,166,843	6,750,000	6,750,000
		Glenmona Resource Centre	369,400	1,321,152	1,321,152
		Invest to Save	-	730,000	730,000
		GP Improvement Scheme Trust Owned	112,817	1,024,204	1,024,204
		Regional Radio-pharmacy Facility	-	56,800	56,800
		ICT	745,882	6,889,325	6,889,325
		ICT Covid-19	189,354	3,055,815	3,055,815
		0	-	-	-
		0	-	-	-
		0	-	-	-
Sub total			**15,007,805**	**32,917,216**	**32,917,216**
Delegated schemes funded from general capital and other local resources		General Capital	4,775,681	17,036,667	17,036,667
		Covid-19 General Capital	6,631,418	8,465,206	5,165,206
		COVID-19 CCaNNI Equipment	-	4,502,892	4,502,892
		Backlog Maintenance	2,278,666	4,930,000	4,930,000
		Disposals	- 395,000	- 395,000	- 395,000
		0	-	-	-
		0	-	-	-
		Other schemes (<£100k)	-	-	-
Sub total			**13,290,765**	**34,539,765**	**31,239,765**
Total			**28,298,570**	**67,456,981**	**64,156,981**
(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
4. Variance between proceeds & expenditure (2 less 3 above)		395	395
5. Capital proceeds from sale of assets to bodies inside of HSC		597	616
4. Variance between proceeds & expenditure (2 less 3 above)		4	5
5. Capital proceeds from sale of assets to bodies inside of HSC		593	611
	0	0	0