Belfast Health and Social Care Trust

TRUST BOARD

MEETING	**Trust Board**	**Ref No. 7**
DIRECTOR	**Director of Finance, Estates and Capital Development**	**Date: 1 Dec 2022**
	2022/23 Month 7 Finance Report	
Purpose	• Finance performance report for the period April-October 2022 • Update on 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 October 2022 • An update on the financial position for 2022/23	
Recommendations / Actions	**This report is for discussion and noting.**	

Trust Board Financial Performance Report
for the seven months to 31 October 2022

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. This deficit comprised unmet savings of £48.3m and unfunded inescapable pressures of £76.7m relating to both 2022/23 and previous financial periods.

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 facilitated the issuing of an allocation letter in June 2022, which included a new annual pharmacy savings target along with a range of assumptions around funding for energy and other inescapable pressures as well as providing a contribution to Trust underlying deficits.

1.3 Whilst no additional general savings target was imposed, the Strategic Performance and Planning Group (SPPG) have assumed that the Trust can at least repeat the level of savings achieved in 2021/22 in 2022/23. This represents non-recurrent savings of £27m, and has since been revised upwards by a further £6m. The working assumption that these savings can be delivered in full presents considerable risk given the one-off nature of savings made last year and the lack of new investment in 2022/23, which reduces the potential for non-recurrent slippage. However, the Trust is committed to working with SPPG and DoH to present a realistic and consistent forecast and at this stage has agreed to seek to secure savings of this level in 2022/23.

1.4 There has been a further MORE pharmacy savings target of £3.8m in 2022/23. Planned pharmacy savings of £4.4m in 2022/23 will be used initially to meet last year's savings shortfall with only a limited impact on this year's target.

1.5 In October 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 on paper is currently forecast at £6.5m. This high level financial plan is shown in Appendix A. The Trust expects this to rise over the winter as pressures increase, especially in Older People Care Management, and the likely residual deficit is £9m-£11m. This is over £1m more than the deficit reported in September, reflecting recent notification by SPPG that additional payments in MAH will now not be funded.

1.6 A key objective of the new Permanent Secretary is to improve efficiency in the HSC, and a specific focus in 2022/23 will be on the reduction of agency costs. A regional target of £15m has been set, and BHSCT's share of this is £4.87m. Work is underway, 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.

1.7 The month 7 position is a £5.7m deficit which is in line with the forecast for the year. Agency costs, particularly nurse agency, have increased in-year. Inflationary increases in estates, foods fuels and other goods and services costs are being seen and there are no longer large underspends in respect of downturn of business as usual. There are significant pressures being seen within domiciliary care. It is important that budget holders continue to monitor spend against budgets and take early action where variances are emerging and expenditure run rates are rising.

1.8 As part of HSC and Trust financial sustainability planning, the Trust has developed a Delivering Value Plan, aimed at regaining financial control and stability and improving efficiency and productivity across the Trust. This has been shared with Trust Board, senior leaders and Trade Union representatives.

2. 2022/23 Recurrent Opening Deficit

2.1 The Trust began the year with an underlying recurrent opening deficit, before any pay and price inflation and other significant cost pressures in 2022/23, of circa £125m, which has built up over the last few years from undelivered savings and unfunded inescapable pressures, including for example pressure caused by superannuation auto enrolment, energy pressures, high cost placement of children and intellectual disability transitioning. The deficit is summarised as follows:

Table 2.1: Opening Recurrent Deficit 2022/23

	2022/23 CYE £'m	2022/23 CYE £'m
Residual opening deficit 2018/19		**1.4**
2018/19 General Savings Target shortfall	8.5	
2019/20 General Savings Target shortfall	18.6	
2020/21 General Savings Target shortfall	18.4	
2021/22 MORE Savings Target shortfall	1.4	
2018/19 unfunded pressures	11.3	
2019/20 unfunded pressures	8.2	
2020/21 unfunded pressures	1.2	
2021/22 unfunded pressures	5.7	
2022/23 opening pressures	50.2	
Gross Opening Deficit for 2022/23		**125.0**

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 and workforce shortages etc.) and other, often fortuitous, non-recurrent measures. The scale of reliance on non-recurrent measures over the last two years is summarised below:

Table 2.2: Reliance on non-recurrent measures to breakeven 2019/20 to 2021/22

	2019/20 £m	2020/21 £m	2021/22 £m
N/R savings/slippage on investments	25	29	27
N/R funding	20	3	61
N/R transformation	19	14	
Savings from COVID-19-related downturn in activity		29	11
TOTAL	**64**	**75**	**99**

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.

2.4 It should be noted that the Trust has made cash releasing and productivity savings in excess of £310m 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 necessitates the use of high cost backfill, the opportunities for cash savings have reduced significantly. 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.

3. Detailed breakdown of 2022/23 Financial Position

3.1 The SPPG 2022/23 allocation, issued in June 2022, allowed some working assumptions to be made on the opening 2022/23 opening position, for example the Trust has been advised to assume that energy pressures will 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.

3.2 No general efficiency savings target has been imposed this year although there is 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 will be used initially to meet last year's savings shortfall with a contribution to this year's target.

3.3 The Trust has agreed to deliver further non recurrent savings over and above last year's amount. The resultant in-year savings target to date is currently £33m. The working assumption that this level of savings is achievable presents a very significant risk given the one-off nature of savings made last year, the lack of new investment which reduces the potential for non-recurrent slippage and the absence of any funding for non-pay inflation. However, the Trust is committed to working with SPPG and DoH to produce realistic and consistent forecasts and at this stage is content to set a target of circa £33m for non-recurrent savings which will be achieved through a combination of in-year slippage on investments, rebates and accounting adjustments. This does however leave the Trust with no slippage to address any further pressures which may arise over the winter.

3.4 SPPG has recently advised the Trust of its share of the region agency reduction target, £4.87m. Although nurse agency costs have increased in the Trust, the bespoke international recruitment programme is progressing well and band 5 vacancy levels are forecast to fall well below 5% in the next few months, which should allow agency costs to reduce. 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. Each service area is forecasting their anticipated vacancy position and agency requirements for the remainder of the year and devising a plan to reduce off-contract agency spend over that period. Medical admin teams are also developing databases with which they can scrutinise agency spend.

3.5 In October the Minister agreed further additional funding for elements of growth pressures, inflationary pressures and deficit funding. To date the additional non recurrent income to be allocated is £85m. Inflationary pressures have not been met in full and there is a risk of further emerging pressures which will increase the deficit. The Trust has also now been advised of the COVID- 19 funding it will receive and it expects that COVID will now be in breakeven.

3.6 The residual deficit, after accounting for this assumed income, is circa £6.5m. However, the Trust is aware that this does not make any allowance for further pressures, especially those associated with care packages for older people including domiciliary, intermediate and nursing home care, which are likely to increase over the winter and are already significantly overspent. It is also likely that spend will increase in the latter half of the year due to further additional winter pressures costs within the acute setting. In RBHSC the Trust is already overspending in order to provide safe staffing for the ED department which has seen a 17% increase in attendances over the past three years and this cost pressure is likely to grow in the last quarter. Finally, the Trust has recently learned that recruitment and retention payments in MAH will not be funded as previously indicated. In reality then, the year-end deficit is likely to be in the range £9m-£11m, although the trust will continue to bear down on costs and improve efficiency where possible to minimise this. Further details on the financial position can be found in Appendix A.

3.7 The Permanent Secretary, via SPPG, will be focussing on developing new performance management arrangements linking activity to finance as the year progresses.

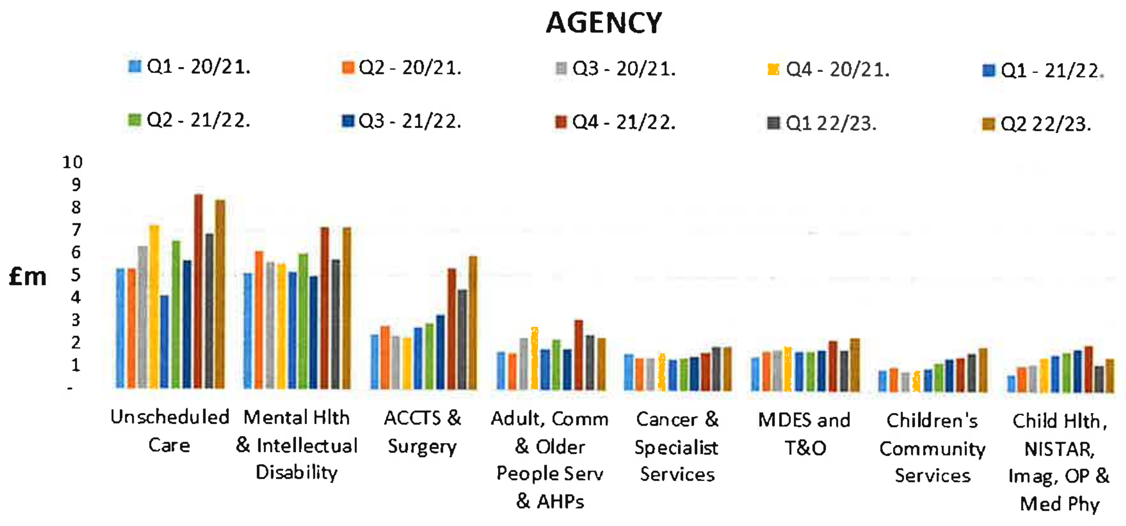
4. Financial Performance at 31 October 2022

4.1 At the end of October 2022, the Trust is showing a £5.7m deficit which is in line with a forecast deficit of between £9-11m, allowing for increased winter spend.

4.2 Underspends in G&S in the large acute directorates relating to underperformance against funded activity have greatly decreased in comparison to last year as expected due to increasing activity levels and inflationary pressures, with most of these directorates now showing small overspends. The total underspend for the first seven months in relation to this is circa £0.4m. Further activity underspends may well be masking overspends due to price increases; there have been a significant number of notifications of inflationary increases which the Trust is working with BSO to capture and quantify. Care management is under significant pressure which is associated with domiciliary care; whilst 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 £3m, after allowing for new demography funding in 2022/23. There is a further increase in private fostering costs of circa £1m and pressures in Child Health drugs and M&S supplies of £1m.

4.3 The ongoing pressure in relation to workforce continues in 2022/23 with the main area of overspend being Unscheduled and Acute Care nursing, which is £7.6m overspent after 7 months. This relates to both the urgent care centre and medical speciality wards. ACCTSS and surgery nursing is also overspent by £5m after 7 months.

4.4 Agency spend at month 7 is £73.3m (including nursing £39.8m and medical £14.5m). This is £18.7m higher that this time last year and is £13.3m (20%) higher than prorated 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 2022/23.



4.5 The financial position at 31 October 2022, by directorate, is shown below:

Summary Position by Directorate at end October 2022

Directorate	Budget £'000	Expenditure £'000	Variance £'000
Maternity, Dental, ENT & Sexual Hlth & T&O	83,340	85,240	**1,900**
Child Health & NISTAR & Imaging	84,612	85,917	**1,305**
Adult, Comm & Older People Serv & AHPs	175,003	174,216	**(787)**
Mental Health & Intellectual Disability	121,009	121,815	**806**
Cancer & Specialist Services	130,734	130,520	**(214)**
Unscheduled Care	121,329	131,595	**10,266**
ACCTSS & Surgery	128,255	132,874	**4,619**
Social Work & Children's Community Services	56,630	57,315	**685**
Finance, Estates & Capital Development	25,386	23,866	**(1,520)**
Nursing & User Experience	57,942	58,849	**907**
Other including Corporate Directorates	99,901	87,711	**(12,190)**
Total Overspend	**1,084,141**	**1,089,918**	**5,777**

Note: There is also a small income deficit of £44k which, added to the deficit above, gives a deficit of £5.73m.

5. Delivering Value Plan

5.1 In view of the significant anticipated deficit and the Permanent Secretary's focus on productivity and efficiency, the Trust is developing a Delivering Value Plan, aimed at rebuilding financial control, containing costs and improving efficiency and productivity across the Trust. This plan will build on the workforce plans and controls initiated in 2021/22, focusing on reducing vacancies and managing rosters and backfill more effectively. A particular focus will be placed on reducing and ultimately eliminating off-contract agency spend.

5.2 Outpatient reform work will be developed further and work has begun at directorate level to improve the Trust's performance across a range of productivity measures such as length of stay and discharge in response to the 2021/22 CHKS review.

5.3 At the same time, the Trust will continue to work with SPPG to secure funding for historic and new inescapable pressures including high cost cases which appear to be a growing issue. To avoid further deterioration in the financial position and to comply with DoH guidance, the Trust will not initiate new services without the requisite recurrent funding.

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

5.5 The Trust has written to SPPG acknowledging the need to contain costs and is doing so in two key areas of focus in 2022/23- premium backfill costs and discretionary spend control. The Trust continues to closely monitor spend which has historically been classified as discretionary and to challenge any growth in spend with relevant budget holders.

6. Summary Capital Position

6.1 The Trust's latest Capital Resource Limit (CRL) issued by the Department of Health for 2022/23 is dated 4 November 2022.

6.2 The total capital allocation is £58.89m. This consists of ring-fenced and specifically funded schemes totalling £37.80m and a general capital allocation of £21.09m.

6.3 Recent amendments to the CRL included reductions of £0.78m for the Glenmona scheme, £2.06m for RVH Maternity, £1.27m for RVH Children's Hospital scheme, £0.8m for Imaging Diagnostics and £0.3m for elective care equipment and minor works. The allocation for RVH Children's Hospital Site Infrastructure was increased by £50k.

6.4 The Trust's projected capital outturn position for 2022/23 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.

6.5 The capital outlook for the HSC over the next few years is poor, with significant overcommitments identified in the first few years of the draft ten year capital plan compared with expected funding. The Trust has already made substantial general capital commitments for 2022/23 in its draft plan and a robust piece of work is now required to prioritise capital proposals to ensure that we do not overcommit against our expected CRL.

Summary High Level Opening Gap 2022/23 after savings

APPENDIX A

	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:		
Additional funding as per draft letter 10/5/22		
Demography 22-23	(3,055)	
Contribution to Deficit funding	(15,600)	
Energy	(25,700)	
nimdta single employers	(256)	
Childrens High cost cases	(300)	
LD resettlements	(1,000)	
NI Protocol	(703)	
MAH Inquiry	(135)	
BSO legal MAH inquiry	(438)	
		(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		
MAH R&R	1,300	
inflationary pressures (not funded by SPPG)	2,497	
new emerging pressures	2,398	
reduction in transformation deficit	(1,486)	
		(39,133)
Revised Deficit 22/23		**11,459**
savings re agency target		(4,872)
Revised Deficit		**6,587**
Domicillary care/intermediate beds pressure estimated		2500-4500
residual deficit		**9000-11,000**