



TRUST BOARD

| | | |
|--|---|--------------------------|
| MEETING | Trust Board | Ref No. 7.1 |
| DIRECTOR | Director of Finance | Date 3 March 2022 |
| 2021/22 Month 10 Finance Report | | |
| Purpose | <ul style="list-style-type: none">• Finance performance report for April-January 2022• Update on year end forecast and 2022/23 financial planning | |
| Corporate Objective | <ul style="list-style-type: none">• Delivery of all corporate objectives, including statutory duty to breakeven | |
| Key areas for consideration | <p>This paper provides:</p> <ul style="list-style-type: none">• a report on the Trust's actual performance at the end of January 2022• An update on the financial position for 2022/23 and beyond. | |
| Recommendations/Actions | This report is for discussion and noting. | |

Month 10 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, estimated to be in the region of £95m for the year, is expected to be funded in full. The Trust received non recurrent income from October and January Departmental Monitoring Rounds for a range of pressures. The Trust will closely monitor its financial position for the last two months 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.
- 1.4 Whilst in-year financial balance is anticipated, there are some concerning trends in expenditure compared with the same period last year. Pay spend has increased by circa £20m compared to last year in real terms and the pay variance has worsened by £4m, 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 emerge and spend run rates are rising. 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, which has been masked in recent years by considerable non-recurrent funding and slippage. This gap does not take account of any potential new pressures in 2022/23 including the costs of a 2022/23 pay award or 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 current baseline budget. This means that Trusts should not spend above 2021/22 recurrent opening baseline income unless a source of funding has been clearly identified on a recurrent basis
- 1.7 The Belfast Trust is commencing the development of a first phase financial stability and recovery 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. 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 HSCB and DoH to identify additional income via Monitoring Rounds, slippage at HSCB/DoH and internal non recurrent savings. At this stage, subject to any new or increased financial risks associated with COVID or other new 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 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 |
| Opening Deficit 21/22 | 93.3 |
| 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) |
| Break even | 0 |

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

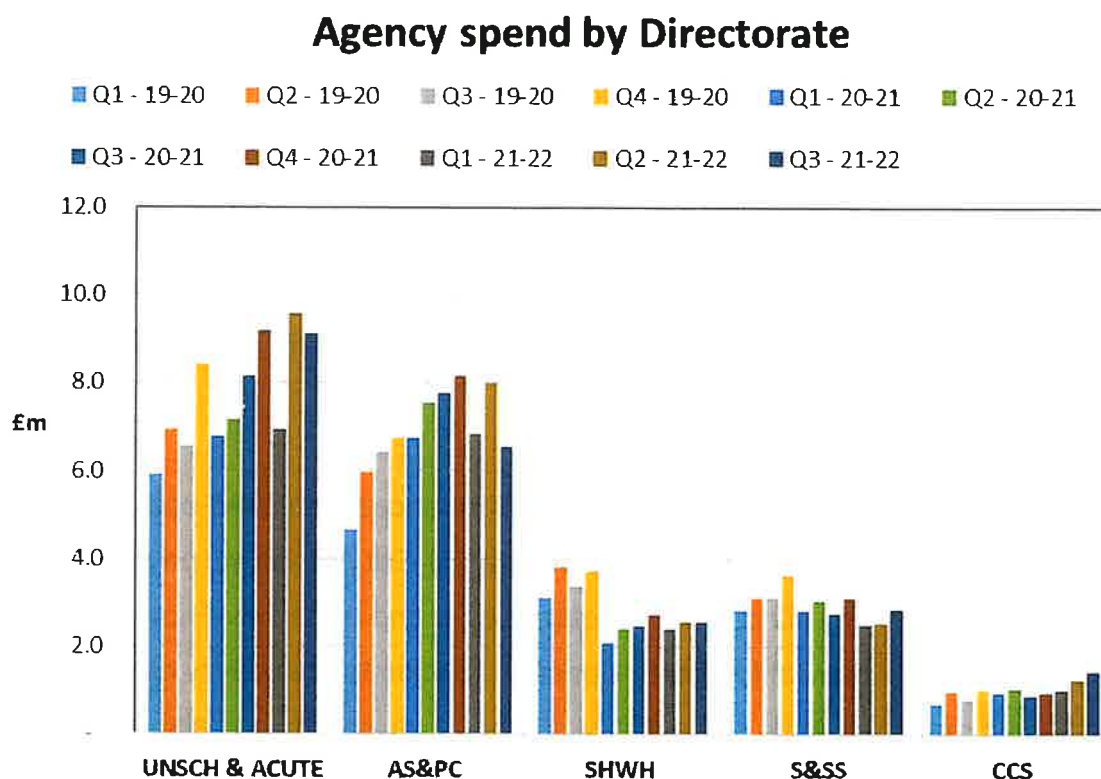
| Recurrent and non recurrent savings | 21/22 |
|---|--------------|
| In year demography slippage | 0.50 |
| Procurement rebates | 0.50 |
| Research & Development I&E change in accounting treatment | 0.85 |
| Other investment slippage | 10.82 |
| Recurrent savings | 0.65 |
| Other non-recurrent accounting measures | 9.00 |
| Non rec savings re rebates | 4.00 |
| | 26.32 |

3. Financial Performance at 31 January 2022

- 3.1 At the end of January 2022, the Trust is showing a £73k deficit, and is forecasting breakeven at year end. COVID-19 spend this year to date is £75m, including £25m PPE, £14m additional staffing costs and £21m service delivery costs. Forecast costs are £93m. Expenditure for transformation projects is £16m, including £2.7m for mental health transformation, with a FYE forecast of £20.4m. 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.
- 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 first ten months amounts to circa £8.7m. This is being offset primarily against 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 £15m), EU Exit pressures, private fostering places and LD community placements and these have now been reflected in the financial forecast. 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 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 funding.

- 3.4 The ongoing pressure in relation to workforce continues in 2021/22. Although total agency spend is on par with last year's costs, the nursing position is concerning. Non-COVID related nursing sickness has increased compared to pre-COVID levels. 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, although a rise in the use of enhanced rates and agency staff over the winter months has increased the pay run rate. The graph below shows agency costs for quarter 1, 2, 3, and Q4 2019/20 & 2020/21 against Q1, Q2 and Q3 2021/22.



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

Summary Position by Directorate at end January 2022

| Directorate | Budget £'000 | Spend £'000 | Variance £'000 |
|--|------------------|------------------|-------------------|
| Specialist Hospitals & Women's Health | 178,392 | 183,477 | 5,085 |
| Adult Social & Primary Care | 367,127 | 371,616 | 4,489 |
| Surgery & Specialist Services | 291,677 | 289,204 | (2,473) |
| Unscheduled & Acute Care | 350,572 | 353,887 | 3,315 |
| Children's Community Services | 78,819 | 78,822 | 3 |
| Finance, Estates & Capital Development | 35,724 | 34,346 | (1,378) |
| Nursing & User Experience | 77,006 | 75,784 | (1,222) |
| Other including Corporate Directorates | 159,502 | 152,143 | (7,359) |
| Total | 1,538,819 | 1,539,279 | 460 |

There is a surplus on income of £387k at month 10, reducing the deficit to £73k.

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 HSCB and 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.
- 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 3 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 Draft Budget and some £1bn less than the in-year 2021/22 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 2 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 and recovery 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 £120m 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 latest Capital Resource Limit (CRL) issued by the Department of Health for 2021/22 is dated 13 January 2022. The latest change was an allocation of £185k for ICT.
- 5.2 The total capital allocation for the year is now £82.2m. This consists of specific schemes totalling £38.2m and a general capital allocation of £44m.
- 5.3 The Trust's projected capital outturn position for 2021/22 is breakeven.

| TABLE 1 NET EXPENDITURE ACCOUNT Jan-22 | Year to Date | | |
|---|------------------|------------------|-------------|
| | Budget | Actual | Variance |
| | £'000 | £'000 | £'000 |
| Expenditure: | | | |
| Staff costs | 923,795 | 923,142 | (653) |
| Depreciation: | 56,095 | 56,095 | (0) |
| Other expenditure | 615,024 | 616,137 | 1,113 |
| Total expenditure | 1,594,914 | 1,595,374 | 460 |
| Income: | | | |
| Income from activities | 40,845 | 40,806 | (39) |
| Other income | 52,079 | 52,505 | 426 |
| Total income | 92,924 | 93,311 | 387 |
| | | | |
| Net expenditure | 1,501,990 | 1,502,063 | 73 |
| <u>Less adjustments:</u> | | | |
| Profit / (loss) on disposal of fixed assets | 0 | 0 | 0 |
| Depreciation | (50,567) | (50,567) | 0 |
| Amortisation | (5,528) | (5,528) | 0 |
| Impairments | 0 | 0 | 0 |
| Total adjustments | (56,095) | (56,095) | 0 |
| Net resource outturn | 1,445,895 | 1,445,968 | 73 |
| Calculation of Revenue Resource Limit (RRL) | | | |
| Allocation from HSCB | 1,409,528 | 1,409,528 | 0 |
| Allocation from PHA | 17,136 | 17,136 | 0 |
| DHSSPS non-cash RRL issued | 0 | 0 | 0 |
| SUMDE & NIMDTA (now only NIMDTA-SUMDE under HSCB RRL) | 19,231 | 19,231 | 0 |
| Revenue Resource Limit | 1,445,895 | 1,445,895 | 0 |
| | | | |
| Surplus / deficit against RRL | 0 | (73) | (73) |

| TABLE 2 - BALANCE SHEET | | Actual 01/04/21 | Actual YTD | Forecast 31/03/22 | Original plan 31/03/22 |
|-------------------------|---|--------------------|------------------|----------------------|---------------------------|
| | | £k | £k | £k | £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 | 987,353 | 1,029,089 | 1,029,089 |
| 1.3 | - Computer equipment | 24,611 | 17,799 | 33,423 | 33,423 |
| 1.4 | - Other equipment | 85,528 | 73,170 | 96,756 | 96,756 |
| 1.5 | - Assets under construction | 109,557 | 139,896 | 134,596 | 134,596 |
| 1.6 | Total tangible assets | 1,350,363 | 1,330,136 | 1,405,782 | 1,405,782 |
| 1.7 | Intangible assets | 24,875 | 19,348 | 25,124 | 25,124 |
| 1.8 | Financial assets | - | - | - | - |
| 1.9 | Total non-current assets | 1,375,238 | 1,349,484 | 1,430,906 | 1,430,906 |
| CURRENT ASSETS | | | | | |
| 2.1 | Stocks and work in progress | 20,604 | 21,565 | 20,100 | 20,100 |
| 2.2 | Debtors: amounts falling due within one year | 56,862 | 50,328 | 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 | 35,247 | 15,500 | 15,500 |
| 2.6 | Total current assets | 90,738 | 107,140 | 86,350 | 86,350 |
| 3.0 | CREDITORS: amounts falling due within one year (-) | - 334,589 | - 269,882 | - 304,500 | - 304,500 |
| 4.0 | NET CURRENT ASSETS / (LIABILITIES) | (243,851) | (162,742) | (218,150) | (218,150) |
| 5.0 | TOTAL ASSETS LESS CURRENT LIABILITIES | 1,131,387 | 1,186,742 | 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 | - 144,510 | - 142,122 | - 127,814 |
| 8.0 | TOTAL ASSETS EMPLOYED | 991,245 | 1,032,382 | 1,060,784 | 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 | 667,895 | 696,579 | 710,887 |
| | | 991,245 | 1,032,382 | 1,060,784 | 1,075,092 |

| 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 | 1,060,784 | 1,026,015 |
| | 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 | 1,060,784 | 1,026,015 |
| 17.0 | FORECAST COST OF CAPITAL AT 3.5% | | | 35,911 |

Table 3

Belfast Trust

Salaries & Wages Supplementary Schedule

| Pay Cumulative to the end of | Jan 22 | | |
|--|-------------------------------|------------------------------------|---------------------------------|
| Directorate | Cumulative Budget £'000 | Cumulative Expenditure £'000 | Cumulative Variance £'000 |
| Specialist Hospitals & Women's Health | 132,184 | 135,731 | 3,547 |
| Adult Social & Primary Care | 193,542 | 192,492 | (1,050) |
| Surgery & Specialist Services | 165,622 | 163,169 | (2,453) |
| Unscheduled & Acute Care | 254,405 | 257,728 | 3,323 |
| Children's Community Services | 48,885 | 47,919 | (966) |
| Finance, Estates & Capital Development | 24,209 | 22,223 | (1,986) |
| Nursing & User Experience | 61,929 | 61,144 | (785) |
| Other Pay including Corporate Directorates | 43,019 | 42,736 | (283) |
| Total Salaries & Wages | 923,795 | 923,142 | (653) |

Table 4

Belfast Trust

Goods & Services Supplementary Schedule

| Goods Cumulative to the end of | Jan 22 | | |
|--|-------------------------------|------------------------------------|---------------------------------|
| Directorate | Cumulative Budget £'000 | Cumulative Expenditure £'000 | Cumulative Variance £'000 |
| Specialist Hospitals & Women's Health | 46,208 | 47,746 | 1,538 |
| Adult Social & Primary Care | 173,585 | 179,124 | 5,539 |
| Surgery & Specialist Services | 126,055 | 126,035 | (20) |
| Unscheduled & Acute Care | 96,167 | 96,159 | (8) |
| Children's Community Services | 29,934 | 30,903 | 969 |
| Finance, Estates & Capital Development | 11,515 | 12,123 | 608 |
| Nursing & User Experience | 15,077 | 14,640 | (437) |
| Other G&S including Corporate Directorates | 116,483 | 109,407 | (7,076) |
| Total Goods & Services | 615,024 | 616,137 | 1,112 |

TABLE 5

CAPITAL EXPENDITURE (excluding donated assets)

| | | Actual Capital Expenditure to date 2021/22 | Forecast Total Expenditure 2021/22 | Notified CRL 2021/22 | Variance against Notified CRL |
|---|--|---|--|-------------------------|-------------------------------------|
| Project Business Case Status | Scheme Description | £k | £k | £k | £k |
| Major capital and other specifically funded schemes | Approved schemes | RVH Maternity New Build | 10,550,600 | 12,183,724 | 12,183,724 |
| | RVH - Regional Children's Hospital Enabling and Ener | 2,398,742 | 4,964,515 | 4,964,515 | |
| | RVH - Children's Hospital Site Infrastructure | 1,492,150 | 5,224,101 | 5,224,101 | |
| | RGH Energy Centre | 1,255,287 | 3,252,245 | 3,252,245 | |
| | Belfast Trust R&D Commerical Income Spend | 4,728,432 | 6,000,000 | 6,000,000 | |
| | Glenmona Resource Centre | 24,577 | 101,572 | 101,572 | |
| | 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 | |
| | ICT | 6,971,527 | 11,634,254 | 11,634,254 | |
| | Troubles Permanet Disablement scheme | 0 | 10,000 | 10,000 | |
| | 0 | 0 | 0 | | |
| | 0 | - | - | | |
| | 0 | - | - | | |
| Sub total | | 27,790,887 | 44,231,913 | 44,231,913 | |
| | 0 | - | - | - | |
| | 0 | - | - | - | |
| Delegated schemes | | | | | |
| funded from general | 0 | - | - | - | |
| capital and other | 0 | - | - | - | |
| local resources | 0 | - | - | - | |
| | 0 | - | - | - | |
| | 0 | - | - | - | |
| | 0 | - | - | - | |
| | 0 | - | - | - | |
| Sub total | | 0 | 0 | 0 | |
| Total | | 27,790,887 | 44,231,913 | 44,231,913 | |
| (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 |