Belfast Health and Social Care Trust

TRUST BOARD

MEETING	**Trust Board**	**Ref No. 7.1**
DIRECTOR	**Director of Finance**	**Date 01 April 2021**
2020/21 Month 11 Finance Report		
Purpose	• Finance performance report for April 2020-Feb 2021) • 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 February 2021 • An update on the anticipated outturn for 2020/21	
Recommendations/Actions	**This report is for discussion.**	

Trust Board Financial Performance Report for the eleven months to 28 February 2021

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, the Trust had identified a carried forward underlying deficit from 2019/20 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. These savings and expenditure reductions had the impact of reducing 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 since 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 February financial position, the Trust is projecting a breakeven position at year end on core budgets but is currently forecasting a £4.5m surplus on covid funding, attributable to excess income received for PPE and annual leave accrual, and a £500k surplus on transformation funding. The Trust is working with HSCB and DoH to confirm whether this slippage will be retracted

1.5 The Draft Budget for 2021/22 would suggest that funding for next year will be well short of need. Furthermore, only 10% of the total allocation will be recurrent in nature. The proposed allocation of £495m must cover the ongoing costs of COVID and rebuild. As a result, the Trust is expecting that its share of the budget will not be sufficient to address its significant underlying deficit or meet any emerging cost pressures next yearAt the same time, the Trust is likely to benefit from non-recurrent underspends, largely in goods and services, if business does not return to normal by April 2021 which may help reduce the anticipated Trust deficit in 2021/22. 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.

1.6 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 £125m (excluding COVID-19 costs which we assume will be fully funded in 2021/22) to achieve recurrent financial balance in 2021/22. This figure does not reflect any non-recurrent savings or income although we expect the most significant new cost pressures, such as pay uplifts, high cost drugs and FYE of 2020/21 demography, will be funded. The draft financial outlook was shared with DoH on 26 January 2021.

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 had provided a forecast 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 2020/21 opening financial 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, £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 The year-end forecast has been revised regularly on the basis of in-depth reviews of the financial position and anticipated changes regarding the 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.

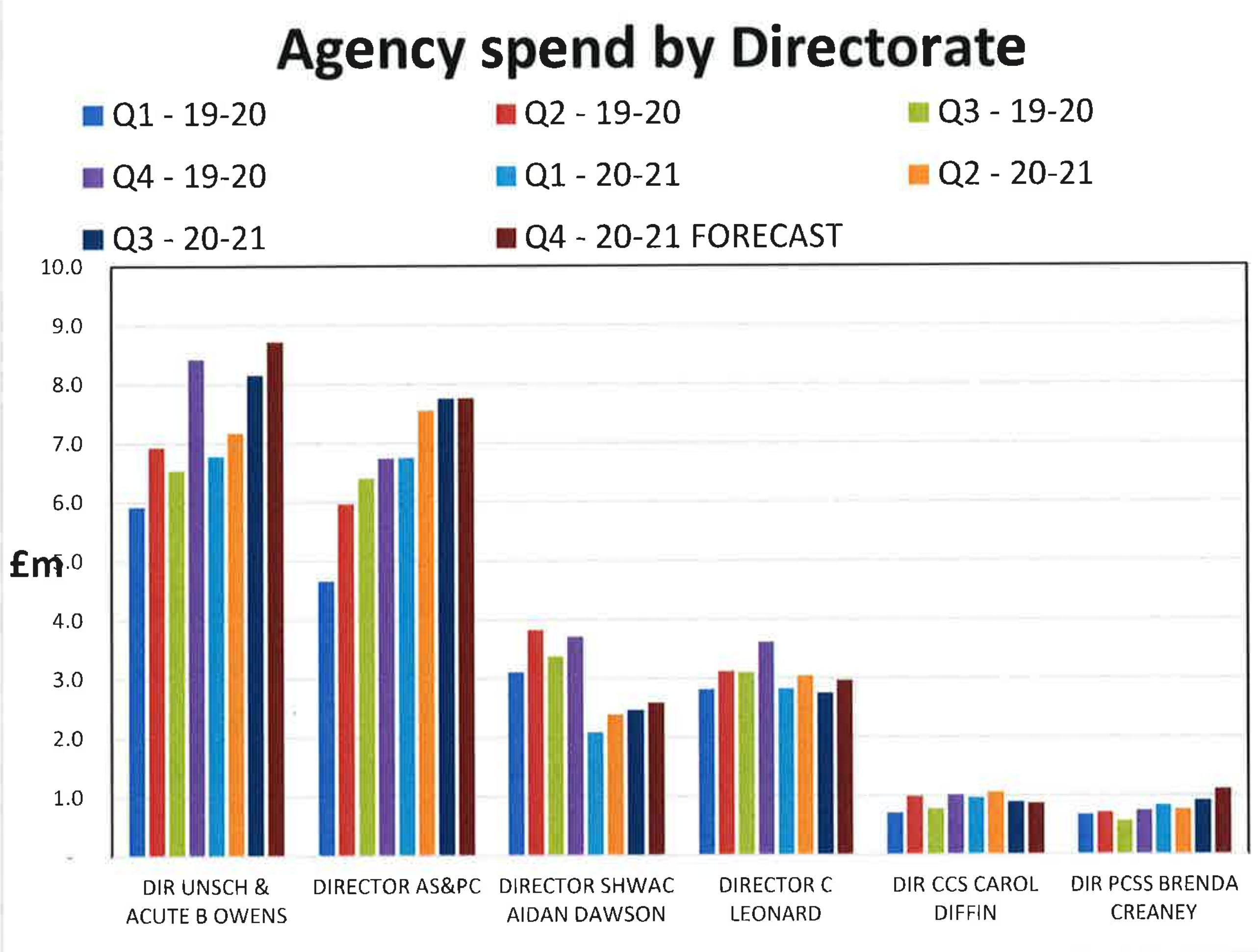
3. Financial Performance at 28 February 2021

3.1 At the end of February 2021, the Trust is showing a £24k deficit. After working through assumptions, the Trust expects to breakeven at year end on core budgets but is forecasting a £4.5m surplus on COVID-19 funding, attributable to excess income received for PPE and annual leave accrual, and £500k surplus on transformation funding. The Trust is working with HSCB and DoH to confirm whether this slippage will be retracted. 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 eleven months, amounting to circa £23m. The pay overspend has reduced by £5.9m in comparison to last year and is currently at a break even position. This underspend is primarily being offset against prior year unmet savings targets.

3.3 The COVID-19 spend to month 11 is £108m and is forecast to be circa £118m inclusive of paid or accrued annual leave of £29m and IS costs of £3.7m; it is assumed that this will be fully funded. COVID-19 expenditure to date includes £16m on additional workforce, £11m service delivery and £38m on equipment and supplies which includes PPE. The Trust estimates net additional COVID-19 funding needed this year is £26.8m above the £95m already received.

3.4 The ongoing pressure in relation to workforce continues in 2020/21. Agency expenditure is £6.6m (8.8%) higher that the same period in 2019/20, mainly attributable to nursing agency, which has increased from £34.2m to £40.8m due to increased usage of off contract agencies and price increases. The graph below shows agency costs for quarter 1, 2, 3 and forecast Q4 2020/21 against the four quarters of 2019/20 by directorate. Nurse bank usage has decreased to 20-25% of 2019/20 levels.



The financial position at 28 February 2021, 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 February 2021

Directorate	Budget £'000	Spend £'000	Variance £'000
Specialist Hospitals & Women's Health	186,616	180,891	(5,725)
Adult Social & Primary Care	385,149	384,332	(817)
Surgery & Specialist Services	290,907	287,975	(2,932)
Unscheduled & Acute Care	363,279	356,245	(7,033)
Children's Community Services	82,986	80,613	(2,373)
Finance, Estates & Capital Development	37,780	35,696	(2,085)
Nursing & User Experience	79,373	76,308	(3,064)
Other including Corporate Directorates	138,695	162,821	24,125
Total	1,564,785	1,564,881	96

Note: There is also a small income surplus of £72k which, added to the deficit above, gives a deficit of £24k

4. Key Assumptions and Risks

4.1 The Trust has assumed at this stage that additional COVID-19 related spend is fully funded.

4.2 A number of other income assumptions have been made in arriving at the month 11 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 March 2021.

5.2 The total capital allocation is £86.33m including an adjustment of £395k relating to the net book value of McCartney House following its disposal. This consists of specific schemes totalling £46.89m and a general capital allocation of £39.84m.

5.3 Within specifically funded schemes, the latest CRL letter includes increases of £800k for RVH Maternity New Build and £39k for GP Improvement Scheme – Trust Owned and a net reduction of £68k for ICT.

5.4 In general capital, increases of £342k for general capital and £893k for COVID-19 related expenditure have been allocated. The Trust's projected capital outturn position for 2020/21 is breakeven. The progress of schemes will be closely monitored in march given the level of underspend at this stage.

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 Feb-21	Year to Date		
	Budget	Actual	Variance
	£'000	£'000	£'000
Expenditure:			
Staff costs	972,176	971,209	(967)
Depreciation:	54,391	54,391	(0)
Other expenditure	592,609	593,672	1,063
Total expenditure	1,619,176	1,619,272	96
Income:			
Income from activities	41,146	41,155	9
Other income	42,794	42,857	63
Total income	83,940	84,012	72
Net expenditure	**1,535,236**	**1,535,260**	**24**
Less adjustments:			
Profit / (loss) on disposal of fixed assets	0	0	0
Depreciation	(50,465)	(50,465)	0
Amortisation	(3,926)	(3,926)	0
Impairments	0	0	0
Total adjustments	(54,391)	(54,391)	0
Net resource outturn	**1,480,845**	**1,480,869**	**24**
Calculation of Revenue Resource Limit (RRL)			
Allocation from HSCB	1,442,575	1,442,575	0
Allocation from PHA	17,499	17,499	0
DHSSPS non-cash RRL issued	0	0	0
SUMDE & NIMDTA (now only NIMDTA-SUMDE under HSCB RRL)	20,771	20,771	0
Revenue Resource Limit	**1,480,845**	**1,480,845**	**0**
Surplus / deficit against RRL	**0**	**(24)**	**(24)**

TABLE 2 - BALANCE SHEET		Actual 01/04/20 £k	Actual YTD £k	Forecast 31/03/21 £k	Original plan 31/03/21 £k
	FIXED ASSETS				
	Tangible assets				
1.1	- Land	110,933	110,933	111,649	111,649
1.2	- Buildings, installations and fittings	1,038,142	1,005,962	1,008,543	1,008,543
1.3	- Computer equipment	21,006	15,003	17,373	17,373
1.4	- Other equipment	76,037	63,756	80,298	80,298
1.5	- Assets under construction	89,420	126,046	107,713	107,713
1.6	Total tangible assets	1,335,538	1,321,700	1,325,576	1,325,576
1.7	Intangible assets	10,912	6,986	7,291	7,291
1.8	Financial assets	-	-	-	-
1.9	**Total non-current assets**	1,346,450	1,328,686	1,332,867	1,332,867
	CURRENT ASSETS				
2.1	Stocks and work in progress	20,341	20,243	18,208	18,208
2.2	Debtors: amounts falling due within one year	49,044	34,608	48,233	48,233
2.3	Debtors: amounts falling due after more than one year	-	-	-	-
2.4	Short term investments	-	-	-	-
2.5	Cash at bank and in hand	22,039	17,960	13,516	13,516
2.6	**Total current assets**	91,424	72,811	79,957	79,957
3.0	CREDITORS: amounts falling due within one year (-)	- 265,597	- 211,354	- 246,107	- 246,107
4.0	**NET CURRENT ASSETS / (LIABILITIES)**	(174,173)	(138,543)	(166,150)	(166,150)
5.0	**TOTAL ASSETS LESS CURRENT LIABILITIES**	1,172,277	1,190,143	1,166,717	1,166,717
6.0	CREDITORS: amounts falling due after more than one year (-)	- 11,204	- 10,598	- 11,159	- 11,159
		-	-	-	-
7.0	PROVISIONS FOR LIABILITIES AND CHARGES (-)	- 101,326	- 129,882	- 128,430	- 95,761
8.0	**TOTAL ASSETS EMPLOYED**	**1,059,747**	**1,049,663**	**1,027,128**	**1,059,797**
	FINANCED BY:				
9.0	Revaluation reserve	365,374	365,375	365,059	365,059
10.0	Donation reserve	-	-	-	-
11.0	Other reserves	-	-	-	-
12.0	General fund	694,373	684,288	662,069	694,738
		1,059,747	**1,049,663**	**1,027,128**	**1,059,797**

TABLE 2(a) - CALCULATION OF AVERAGE RELEVANT NET ASSETS AND COST OF CAPITAL CHARGE		0 £k	0 £k	0 £k
13.0	Total capital and reserves	1,059,747	1,027,128	1,043,438
	less:			
14.0	Donation reserve (-)	0	0	0
	plus:			
15.0	Interest Bearing Debt (NIAS only)	0	0	0
16.0	Relevant Net Assets	1,059,747	1,027,128	1,043,438
17.0	**FORECAST COST OF CAPITAL AT 3.5%**			**36,520**

Table 3

Belfast Trust

Salaries & Wages Supplementary Schedule

Pay Cumulative to the end of	Feb 21		
Directorate	Cumulative Budget £'000	Cumulative Expenditure £'000	Cumulative Variance £'000
Specialist Hospitals & Women's Health	138,168	139,102	934
Adult Social & Primary Care	204,528	204,743	215
Surgery & Specialist Services	173,783	174,594	811
Unscheduled & Acute Care	265,325	268,117	2,792
Children's Community Services	51,191	49,140	(2,051)
Finance, Estates & Capital Development	24,304	22,337	(1,967)
Nursing & User Experience	62,917	62,046	(871)
Other Pay including Corporate Directorates	51,960	51,130	(830)
Total Salaries & Wages	972,176	971,209	(967)

Table 4

Belfast Trust

Goods & Services Supplementary Schedule

Goods Cumulative to the end of	Feb 21		
Directorate	Cumulative Budget £'000	Cumulative Expenditure £'000	Cumulative Variance £'000
Specialist Hospitals & Women's Health	48,448	41,789	(6,659)
Adult Social & Primary Care	180,621	179,589	(1,032)
Surgery & Specialist Services	117,124	113,381	(3,743)
Unscheduled & Acute Care	97,954	88,128	(9,825)
Children's Community Services	31,795	31,473	(322)
Finance, Estates & Capital Development	13,476	13,359	(118)
Nursing & User Experience	16,456	14,262	(2,193)
Other G&S including Corporate Directorates	86,735	111,691	24,955
Total Goods & Services	592,609	593,672	1,062

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	11,725,868	12,752,311	12,752,311
		RVH Critical Care Block	483,120	483,120	483,120
		RVH - Regional Children's Hospital Enabling and Ener	3,916,308	5,242,000	5,242,000
		RVH - Children's Hospital Site Infrastructure	948,862	1,376,542	1,376,542
		RGH Energy Centre	894,339	1,203,742	1,203,742
		Belfast Trust R&D Commerical Income	- 4,906,455	- 6,750,000	- 6,750,000
		Belfast Trust R&D Commerical Income Spend	4,906,455	6,750,000	6,750,000
		Glenmona Resource Centre	443,281	1,321,152	1,321,152
		Invest to Save	-	730,000	730,000
		GP Improvement Scheme Trust Owned	112,817	1,062,792	1,062,792
		ICT	1,224,540	19,658,825	19,658,825
		ICT Covid-19	536,354	3,055,815	3,055,815
		0	-	-	-
		0	-	-	-
		0	-	-	-
		0	-	-	-
Sub total			**20,285,489**	**46,886,299**	**46,886,299**
Delegated schemes funded from general capital and other local resources		General Capital	6,976,188	19,222,667	19,222,667
		Covid-19 General Capital	3,555,887	7,612,189	7,612,189
		COVID-19 CCaNNI Equipment	-	4,502,892	4,502,892
		COVID-19 Oxygen Generators	3,266,832	3,570,000	3,570,000
		Backlog Maintenance	2,541,950	4,930,000	4,930,000
		Disposals	- 395,000	- 395,000	- 395,000
		0	-	-	-
		0	-	-	-
Sub total			15,945,857	39,442,748	39,442,748
Total			36,231,346	86,329,047	86,329,047
(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	£k	£k
1. NBV on disposals outside the HSC	395	395
2. Capital proceeds from sale of assets to bodies outside of HSC	597	616
3. Trust capital expenditure against sale of assets	4	5
4. Variance between proceeds & expenditure (2 less 3 above)	593	611