

**Trust Board Briefing Paper**

**Date of Meeting:** 25<sup>th</sup> June 2015

**Subject:** Trust Financial Position

**Presented by:** Miss M Crilly, Assistant Director of Finance on behalf of  
Mr L O'Neill, Director of Finance

**Purpose:** To provide Trust Board with a summary of the Financial Position at  
31<sup>st</sup> May 2015

**Conclusion/ Action Required:** For Noting



Northern Health  
and Social Care Trust

# Trust Board Finance Report as at 31<sup>st</sup> May 2015

**L O'Neill**

**Director of Finance**

**June 2015**

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**Report 1: Summary of Month-end Forecast Positions 2015/16**

<b>Month</b>	<b>Position May 2015</b>	<b>Best Estimate 31<sup>st</sup> March 2016</b>	<b>Best Estimate (after Sensitivity Analysis) 31<sup>st</sup> March 2016</b>
<b>May 2015</b>	<b>Deficit £2.187million</b>	<b>Deficit £341,000</b>	<b>Deficit £15.071million</b>
<b>2014/15 Year end Financial Position Outturn</b>	<b>£100k surplus Unaudited (previously advised) £71,000 surplus (audited)</b>		

## **Report 2: Trust Board Financial Report – May 2015**

### **Section 1: Executive Summary**

The current Trust deficit after two months is £2.187million with a year-end projected best estimate deficit of £341,000. A full year projection presents a number of difficulties in relation to the forecasting of non-pay costs; however this best estimate is in line with the Trust's TDP projections. The Trust has a statutory duty to breakeven by year end.

### **Section 2: Position as at 31<sup>st</sup> March 2016**

The Month Two position, taking into account an assessment of all savings proposals, is shown below:

	<b>Best Estimate Deficit Forecast 31<sup>st</sup> May 2015</b>	<b>Best Estimate (Sensitivity Analysis) Deficit Forecast 31<sup>st</sup> March 2016</b>
	<b>£000's</b>	<b>£000's</b>
General Ledger Deficit (projected)	15,071	15,071
2015/16 Cost Pressures supported by HSCB	(2,292)	0
2014/15 QICR savings outstanding	(4,019)	0
2015/16 Savings target outstanding	(8,419)	0
Projected Deficit	<u><u>341</u></u>	<u><u>15,071</u></u>

As outlined in the resources section of the TDP, following submission of details in relation to the Trust's underlying deficit, recurrent support funds of £24million have been identified for the Northern Trust. This is to address the deficit and achieve breakeven.

In addition, HSCB have provided £3million for normative nursing levels (for 18 medical and surgical wards in Antrim and Causeway Hospitals).

Whilst this should allow the Trust to breakeven in 2015/16, it does not allow for additional spending. Consequently a range of new cost pressures are emerging which for the purposes of the financial projections, are assumed will be fully funded by HSCB.

Coupled with this are the savings targets still to be delivered by the Trust. At 1<sup>st</sup> April 2015, a combined target of £17.548million needs to be delivered during 2015/16 (£5.45million 2014/15 QICR; £12.098million 2015/16 target). After two months, £5.107million has been delivered (some non-recurrently as contingency measures)

leaving some £12.438million to be achieved in the remaining 10 months of this financial year (£4.019million 2014/15 QICR; £8.419million 2015/16 target).

The Trust's projected year-end position is therefore a deficit of £341,000.

The Best Estimate Sensitivity Forecast is based on non-support by HSCB of the emerging 2015/16 Cost Pressures and non-delivery of the outstanding savings targets. This would result in a projected deficit of some £15million.

### Section 3: Savings Proposals

The Trust currently has two separate savings targets which must be delivered in 2015/16 to ensure breakeven.

These consist of:

- Carried forward outstanding target of the 2014/15 QICR savings (£5.450million)
- 2015/16 savings target of £12.098million

The table below details the position by Directorate as at Month Two.

Directorate	2014/15 QICR			2015/16 Target			Total Outstanding £000's
	Target £000's	Achieved £000's	Outstanding £000's	Target £000's	Achieved £000's	Outstanding £000's	
Acute	2,407	0	2,407	2,878	183	2,695	5,102
PCCOPS	1,601	1,227	374	2,648	782	1,866	2,240
Childrens	762	182	580	574	253	321	901
MHD	88	0	88	756	212	544	632
Medical & Governance	30	0	30	49	48	1	31
Nursing & User Experience	319	0	319	177	21	156	475
Performance Management	162	0	162	189	37	152	314
Corporate Overheads	21	21	0	300	0	300	300
Finance	1	1	0	107	25	82	82
HR	58	0	58	55	3	52	110
Chief Executive	1	0	1	19	19	0	1
Corporate	0	0	0	2,096	2,096	0	0
Not Yet Allocated				2,250	0	2,250	2,250
<b>TOTALS</b>	<b>5,450</b>	<b>1,431</b>	<b>4,019</b>	<b>12,098</b>	<b>3,679</b>	<b>8,419</b>	<b>12,438</b>

Corporate actions relate to funding ringfenced as part of the 2014/15 Trust contingency plans which have been carried forward into 2015/16.

Target savings not yet allocated to a directorate comprise of 3 schemes:

- Review of Commissioning & Voluntary Sector Services (£1.5million)
- Review of Estate and Leases (£250,000)
- Absence Management (£500,000)

The table below details the Directorate Budgetary Positions as at Month Two projected to 31<sup>st</sup> March 2016.

Directorate	Forecast Outturn Variance before Allocation of Support Funds	Support Funds (HSCB)	Corporate Support Funds (NHSCT)	Savings Achieved	Forecast Outturn 31 <sup>st</sup> March 2016	Savings to be delivered	Forecast Outturn 31 <sup>st</sup> March 2014
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Acute	24,285	16,577	2,388	183	5,137	5,102	35
PCCOPS	9,002	5,055	0	2,009	1,938	2,240	(302)
Childrens	4,937	2,936	582	435	984	901	83
MHD	967	584	497	212	(326)	632	(958)
Medical/ Governance	795	593	0	48	154	31	123
Nursing & User Experience	1,758	686	205	21	846	475	371
Performance Management	279	0	0	37	242	314	(72)
Corporate Overheads	635	0	0	21	614	300	314
Finance	735	597	12	26	100	82	18
HR	288	201	0	3	84	110	(26)
Chief Executive	200	80	35	19	66	1	65
Corporate	2,096	-		2,096	0		0
Unallocated	3,416	-	476		2,940	2,250	690
<b>TOTALS</b>	<b>49,316</b>	<b>27,232</b>	<b>4,195</b>	<b>5,110</b>	<b>12,779</b>	<b>12,438</b>	<b>341</b>

The forecast outturn position is presenting a £341,000 deficit.

Total Support Funds allocated are £31.427million comprising of a mixture of HSCB support funds (inclusive of normative nursing funding) and Trust funding allocations.

The position is dependent on the achievement of all outstanding savings targets, and the projected deficit is in line with the current TDP submission to HSCB.

A range of invoices through the FPM system have not yet hit directorate positions however these have been accrued for in the 'unallocated' line above. It is important to note that £2.250million of savings targets has yet to be aligned to directorates and this will have an impact on their forecast outturn projection above.

In addition, the projection is based on a straight line forecast and at this early stage of the financial year this can result in significant over and under estimations in spend.

The position above includes in the region of £2million anticipated expenditure relating to new cost pressures for 2015/16 which will require discussion with the Commissioner.

The Acute Directorate has the most significant element of savings to be achieved. Included in their position are costs associated with the additional beds opened in December 2014 as a result of 'winter pressures' and which remain open.

The directorate also received £3million for normative nursing and whilst the Senior Nursing Team continues to progress the recruitment of these new funded posts, there continues to be a reliance on bank staff to support the wards. It is anticipated that this dependence will reduce in the coming months once the shift to permanent recruitment has been fully implemented.

The Mental Health Directorate is currently presenting a potential surplus, however there is further analysis required regarding expenditure associated with Dementia clients to assess if the spend level is under-estimated through the system.

Nursing and User Experience are projecting an unexpected deficit than anticipated and further analysis is required to determine where this is arising.

Corporate Overheads expenditure is also presenting a higher than anticipated position. A review of price and activity levels will be undertaken for the next month's reports.

## **Section 5: Key assumption used in the Best Estimate Forecast**

The key assumptions used in constructing the best estimate forecast year-end outturn are:

- That the underlying trend at May 2015 will continue pro-rata to the year-end;
- That financial control will be maintained and expenditure controlled within agreed budgets;

Consequently the best estimate, at this stage in the year, projects a deficit of £341,000 against the statutory breakeven requirement.

## **Section 6: Key issues**

The following areas have significant elements of estimation, and could thus impact on our year-end estimates.

- a) An additional 3% employer's pension contribution was introduced on 1<sup>st</sup> April 2015 (bringing the rate up to 16.3%). The Trust has assumed this increase will be fully funded; however we await confirmation from DFP on this.





- b) Agenda for Change: The Trust continues to progress AFC Clustering applications. All recurrent funding available has been allocated. Due to the volume of applications still to be assessed it is not possible to quantify the impact of this issue.
- c) A decision regarding the allocation of new clinical excellence awards to medical staff, backdated to 1<sup>st</sup> April 2012, is currently under review by DHSSPS. Whilst the Trust has an element of funds to contribute to this through recycled awards, it would be insufficient to cover the formula for the allocation of awards. No accrual has been provided for this issue in the financial position.
- d) A range of invoices were not scanned in time for the Month Two shutdown. It is not possible to assess what other invoices may be outstanding, however the financial team have attempted to accrue where expenditure did not present at the levels expended in 2014/15.
- e) An accrual for sickness pay has been included in the position; this is considered a 2015/16 issue and is currently under discussion with HSCB.
- f) A proposal to increase the hourly rate for Self Directed Support (implementation from 1<sup>st</sup> June 2015) is in discussion. The position accrues for this cost pressure, which is deemed a 2015/16 emerging issue.
- g) There is potentially a cost implication in relation to sleeping night payments in the Trust's Residential Units. The financial impact has not yet been scoped and therefore has not been factored into the projected position at this stage.
- h) An issue regarding charging for Domiciliary Care to clients in Supported Living facilities is currently under review. Cessation of this charging will result in a significant cost pressure on the Trust. There may be a potential retrospective cost of this decision. The Trust is waiting guidance from DHSSPS on this issue.

## Section 7: Key Risks

There are a number of risks which could potentially impact on the Trust's ability to maintain the £341,000 deficit or to move towards breakeven. These are:

- a) Impact of funding allocation in respect of Employers Pension Contribution from DFP.
- b) Emerging 2015/16 Cost Pressures which were not included within the £27.232million support funds from HSCB.
- c) Delivery of all outstanding savings targets (£12.438million).
- d) Forecasting error associated with using a straight line projection method.

## Section 8: Conclusion

The May forecast position is a projected deficit of £341,000.

This forecast is dependent on the delivery of all outstanding savings targets.

The Director of Finance will discuss the financial position at the Accountability meetings being held with each directorate to continue to ensure commitment towards the achievement of a directorate breakeven position.