Northern Health and Social Care Trust

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TRUST BOARD

FINANCIAL POSITION REPORT – MAY 2022

Prepared & Issued by Finance Department – 21st June 2022

Contents

Section 1: Financial Plan 2022/23

The Trust Finance Department have been working over recent months with SPPG Finance colleagues on the 2022/23 financial plan. To support this the SPPG have issued a detailed Financial Planning letter containing their 2022/23 planning assumptions and indicative allocations.

Following this and after further discussions with SPPG colleagues, the current 2022/23 projected financial plan is a deficit of £56.6m – set out below:

	£m
Net Opening Deficit	43.76
Less Reductions to projections, funding and current savings	(17.52)
Plus New Pressure (Net of indicative allocations)	19.25
Less Deficit funding	(8.70)
Plus Pharmacy savings target	1.17
Less Pharmacy saving identified	(0.52)
Less Savings opportunities	(6.22)
Plus Covid costs (net of indicative allocations)	17.42
Plus Nightingale cost (net of indicative allocations)	1.68
Plus No more Silos (net of indicative allocations)	4.49
Plus High cost Drug pressure (net of indicative allocations)	1.80
Remaining Potential gap 2022/23	56.60

This assumes indicative funding for full PPE costs in 2022/23 at 2021/22 outturn level and funding only for Q1 Covid essentials. It also assumes indicative funding for:-

- Non-specific Deficit funding £8.70m
- Energy deficit £6.9m
- 2021/22 Growth funding £3.5m
- High cost Drug funding £3.3m

This plan assumes full funding from SPPG for 2022/23 Pay award and non Pay inflation. SPPG have asked the Trust to deliver savings opportunities in 2022/23 to the same value of those delivered in 2021/22 at £8.99m. During 2021/22 the Trust made recurrent savings of £1.09m leaving £7.9m to be delivered in 2022/23. To date the Trust has identified £6.22m of opportunities (included in financial plan), leaving a further £1.6m to be identified – the Trust continues to focus on this area to identify opportunities.

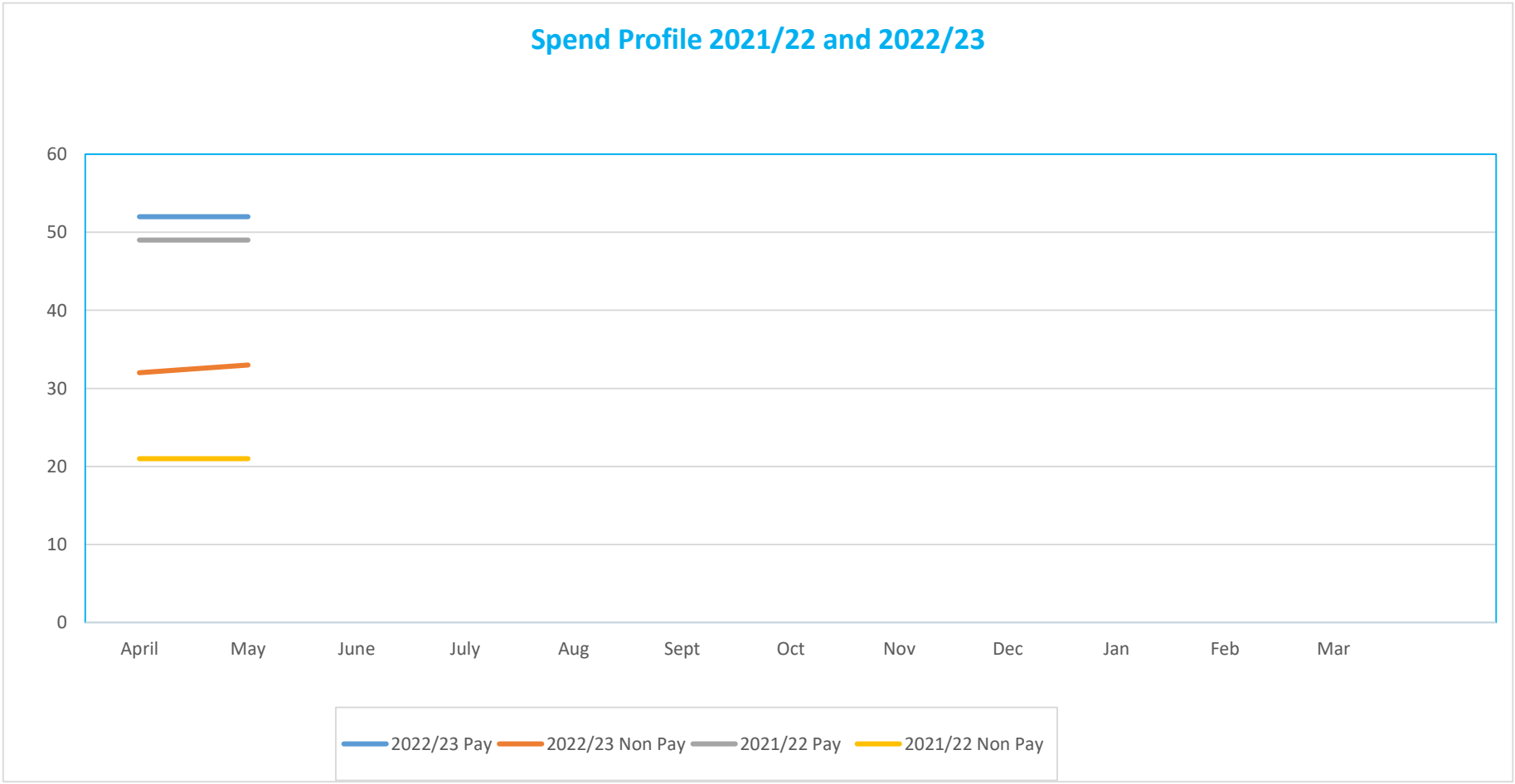
The Trust's financial plan excludes regional pressures, including Clinical Excellence and Holiday sick pay as these are being addressed in common with the regionally agreed position.

The Trust is facing a financial challenge to achieve breakeven in 2022/23, and is seeking engagement at Executive level with SPPG to clarify the funding strategy in both covid and core service areas. The Trust will continue to work closely with SPPG and DoH over the coming months.

Section 2: Financial Position at May 2022

The financial expenditure of the Trust can be set out as follows:

	Actual Expenditure (Mth 2) £'000
Income	Not yet allocated
Total expenditure	169,705
Pay	104,456
Non-Pay	65,249
(Surplus)/Deficit	Not yet known
% (Surplus)/Deficit against RRL	Not yet known



Notes: The pay segment is impacted by the number of weeks which fall within the reporting month

Section 3: Financial Position by Directorate as at 31st March 2022

This section details the projected outturn at 31st March 2022 as at 31st May 2022, and includes an analysis of the main reasons for any over/underspends by divisions. The Trust core non-ringfenced baseline budget is presented below.

Division/Directorate	Budget £'000	Expenditure £'000	Mth 2 Variance £'000	Projected outturn March 2023 £'000
Medicine/Emergency Medicine	17,803	20,261	2,458	
Surgical & Clinical Services	24,274	25,097	823	
Community Care	30,548	31,117	569	
Women, Children's & Families	21,984	22,797	812	
Mental Health/Learning Disability & CW	31,082	31,780	697	
Medical & Governance	2,991	2,971	(19)	
Nursing User Experience	5,966	6,498	532	
Strategic Development & Business Services	1,717	1,790	73	
Estates	2,302	2,331	28	
Corporate Overheads	2,215	3,531	1,316	
Finance	1,839	1,839		
Prototype	332	627	295	
Human Resources, OD & Corp Comms	1,079	1,205	126	
Chief Executive & Trust Board	76	72	(4)	
Corporate/Cost Pressures (including Covid expenditure)	7,139	8,784	1,645	**DEFICIT**
Totals	**151,348**	**160,700**	**9,352**	**£56.6m**

The indicative funding has NOT been included in the figures above.

A number of areas have not yet incurred expenditure – this is expected in later months. Consequently the Month 2 variance above does not reflect the full extent of the deficit portrayed in the financial plan.

Acute Division

(a) Medicine & Emergency Medicine

The projected position at May 2022 for this division is a £14.750m deficit. The deficit includes projected expenditure of £7.1m associated with continuing COVID and non-recurring schemes, for which funding has not yet been allocated. The key areas are:

- **Salaries £14.267m deficit**
  - **Nursing salaries £8.952m deficit**
    The deficit is attributable to agency costs incurred to cover vacant posts, staff sickness, and increased patient acuity. There is significant reliance on non-contract agencies, which incur a premium and accounts for 79% of payments.
  - **Medical salaries £5.244m deficit**
    The deficit reflects locum costs associated with absence cover.
  - **All other areas £70,000 deficit**
- **Non-Payroll costs £489,000 deficit**
  - **Pharmacy supplies £514,000 deficit**
  - **All other areas £25,000 surplus**

(b) Surgical & Clinical Services

The projected position at May 2022 for this division is a £4.936m deficit. The deficit includes projected expenditure of £2.29m associated with continuing COVID and Transformation schemes, for which funding has not yet been allocated. The key areas are:

- **Salaries £2.211m deficit**
  - **Nursing £1.220m deficit**
    The deficit is attributable to agency costs incurred to cover vacant posts, staff sickness, and increased patient acuity. There is significant reliance on non-contract agencies, which incur a premium and accounts for 79% of payments.
  - **Medical £2.661m deficit**
    The deficit reflects locum costs associated with absence cover.
  - **Laboratory staffing £72,000 surplus**

    - **Radiography staffing £330,000 surplus**
    - **Administration £361,000 surplus**
    - **Allied Health £841,000 surplus**
    - **All other areas £66,000 surplus**
- **Non-Payroll costs £2.816m deficit**
    - **Diagnostics £1.316m deficit**
    - **Laboratory supplies £893,000 deficit**
    - **Medical & Surgical Equipment £713,000 deficit**

Community Care

The Division projected year-end position is a deficit of £3.413m. Key financial issues are:

- Purchased Social Care:
    - IS Domiciliary Care – overspend of £1m due to activity being in excess of SBA.
    - 1:1 Bespoke Packages / Intermediate Care beds – overspend of £2m – due to enhanced supervision and support following discharge from Acute/Community Hospitals.
    - Nursing & Residential Placements – underspend of £0.3m due to bed days based on April-February usage being below SBA.

- Deficit of £0.9m in Statutory Residential Homes due to an under-receipt of income due to reduced Permanent and Temporary residents and pay over-spends.

- Deficit emerging in Treatment Room Services of £0.5m and Integrated Team Services of £0.6m due to increase usage of Bank and Agency staff

- Pay underspends due to vacancies and favourable incremental progressions, the largest of which are Acute OT and Recovery and IH Domiciliary Care.

- Note the outturn includes COVID costs, not yet recharged to central COVID cost centres.

Women & Children's

The Division is projecting a year-end deficit of £4.875m.

The position includes expenditure of £177,000 on schemes that have not yet been resourced.

The main deficit areas are:

- Residential Units are reporting a deficit of £1.6m. The main contributing factors are additional staffing to support complex needs and sickness absence cover.
- Forecast Care Agency payments are reporting £1.1m overspend.
- Medical Services are reporting a deficit of £1.1m due to Agency Locums to cover vacant posts and sickness absence.
- Obs & Gynae Nurse staffing is reporting an overspend of £260,000 and Pharmacy Supplies an overspend of £450,000

Mental Health, LD & CWB

The Division projected year-end position is a deficit of £4.184m. Key financial issues are:

- Deficit on Mental Capacity Act – expenditure of £0.5m.
- Deficit in Inpatient MH units due to acuity, vacancy staff sickness and Covid Rebuild cover as well as increased reliance on Agency staff (in particular non-contract Agency Staff) – deficit £4.4m.
- Deficit in Medical Staffing due to number of locums are in place in vacant posts as well as some sick and maternity leave cover – deficit £1m.
- Deficit in Statutory Supported living of £0.6m – primarily driven by under-recovery of income in the Brook due to voids.

- Purchased Social Care:
  - IS Domiciliary Care – underspend of £1m due to activity being in below SBA.
  - Direct Payments – surplus in Dementia of £0.4m – this is a continuation
  - 1:1 Bespoke Packages – overspend of £2.5m – due to enhanced supervision and support following discharge from Acute/Community Hospitals.

- Payroll Underspends - A number of areas have not returned to their full staffing compliment pre-Covid. Key areas are: Adult centres, MHOP, ALD, AMH and Psychology

- Note the outturn includes COVID costs, not yet recharged to central COVID cost centres

Nursing and User Experience

The year end projected position is a deficit of £3.194m.

Covid activities of £2.67m, which if funded would leave a deficit of £525,000. This can be directly attributed to the enhanced use of private ambulances.

Corporate Overheads

Projected deficit is £7.9m of which £6.9m relates to energy pressures (assumed to be funded), Clinical waste increase in regional contract of £500,000 and inflationary pressures.

Other Directorates

The remaining directorates continue to be subject to review and should covid funding materialise will result in breakeven positions

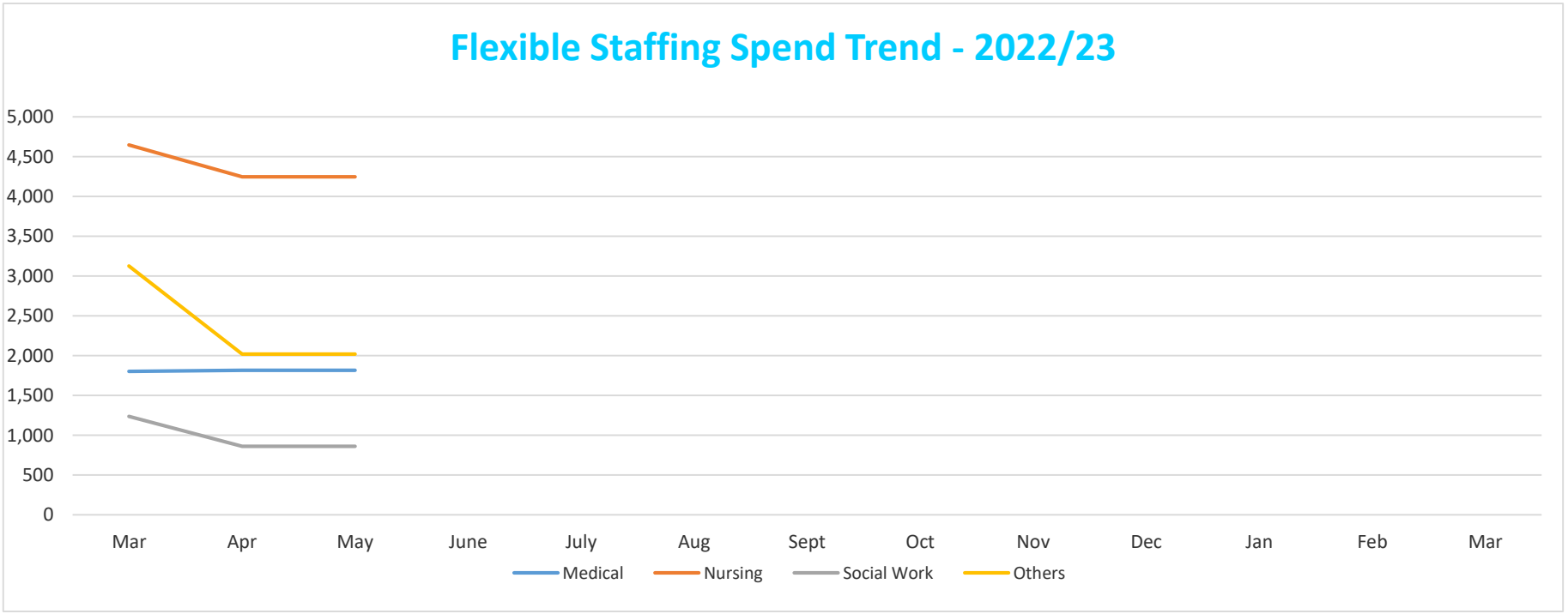
Section 4: Flexible Staff Costs as at 31st May 2022

A significant factor for the Trust in recent years has been our reliance on flexible staffing. This can be analysed into 2 categories.

A) Agency/Locum/Enhanced Hours

The total spend in these areas is summarised below:

Division/Directorate	Cum to May 2022						Cum to May 2021	Movement	
	Agency Locum £000's	Agency Other £000's	Bank £000's	Overtime £000's	Add hrs £000's	Totals £000's	£000's	£000's	%
Medicine & Emergency Medicine	2,012	2,835	708	43	17	5,615	2,642	2,973	112
Surgical & Clinical Services	699	1,140	449	290	108	2,686	1,776	910	51
Community Care		410	1,317	256	118	2,101	1,553	548	35
Women, Children's & Families	397	708	588	240	87	2,020	1,585	435	27
Mental Health/Learning Disability & CW	364	1,434	909	102	35	2,844	2,188	656	30
Medical & Governance		63	12	17	12	104	103	1	1
Nursing & User Experience		710	320	53	179	1,262	1,148	114	10
Strategic Planning & Business Services		88		10	1	99	67	32	48
Estates		42	20	70	8	140	86	54	63
Finance		53	2	11	7	73	48	25	52
Human Resources, OD & Corp Comms		12	92	6	9	119	115	4	3
Others	161	386	107	160	4	818	11	807	7,336
TOTALS	**3,633**	**7,881**	**4,524**	**1,258**	**585**	**17,881**	**11,322**	**6,539**	**58**



Medical and Agency spend is based on **ACTUAL** invoices in the Financial system. Accruals are separately included in the financial position where it is anticipated that spend may be missing. Note no financial position is produced for month 1 (April).

Expenditure on Flexible nursing is £8.5m cumulative to May 2022 and projects to £50.9m for the financial year. However the main spend is directly linked to agency spend (as opposed to Bank, Overtime and Additional Hours) which is £5.3m cumulative of May 2022 (Projecting to £32.0m).

International Nurse Recruitment - current position at May 2022

The current position in relation to the INRS in the Trust, indicates we have successfully recruited 147. The Trust continues to avail of INRS requiring placement.

Classification	Total of Int Nurses Recruited	Resigned/ Terminated	Total residing in Trust
European	7	7	0
Non-European	151	4	147
Totals	**158**	**11**	**147**

Non Contract Agency Spend

A monthly analysis is sent to Directorates identifying spend on agencies split between contracted (regional tendered) and off-contract companies. £2.3m has been spent on off-contract agencies for agency Medical locum while, for the same period, £4.9m has been spent on Non-medical agencies in relation to Non-Contract Agency for all other professions.

Consequently total non-contract spend of £7.2m which represents 62% of the overall total spend in these 2 categories of Temporary staff (ie of £11.5m spend).

Projected spend on a straightline basis is £69.1m.

Note total agency and locum spend in 2021/22 was £63.0m.

As the non-contract expenditure is not governed by a Regional Tendered Contract (procured through PaLs), the Trust may be paying premiums significantly greater than expected under a regional contract.

B) Temporary Workforce

This represents staff that are on temporary contracts that are on the Trust payroll. Based on the information within the ledger, projected spend on temporary employees, including the previous financial year is as follows:-

Temporary Workforce	21/22 At Month 12 £000's	22/23 At Month 2 £000's	% of total 22/23 spend
Band 1-4	7,316	7,236	32
Band 5-7	10,888	11,333	49
Band 8+	1,288	1,417	6
Non AFC Bands – Medical & Dental **	3,086	2,920	13
Total	22,578	22,906	100

**The Medical & Dental temporary staff are on the Trust's payroll on HSC terms and conditions, covering a mix of vacant posts, sickness, gaps in rota and additional duties. They include GPs, retired staff, staff acting to a higher grade and staff appointed temporarily (as opposed to engaging an agency locum).

The spend for 2022/23 in comparison to the 2021/22 outturn position (and restated to reflect 2021/22 AFC and Medical/Dental pay awards of 3%), has increased/decreased by £328k.

The 2022/23 spend represents 21.9% of the total paybill for the Trust.

C) Funded Staff Establishment

The Trust has a funded level of staffing posts, which is continually being updated for both recurrent and non-recurrent service developments.

The budgetary process monitors the staff appointed and on our payroll against the budgeted level; this is in line with the Trust's Standing Financial Instructions. In addition, where there is a need to avail of medical and non-medical agency cover (for vacancies, sickness, maternity), this expenditure is indicatively adjusted to provide an estimated level of WTE. Other backfill flexibility is sourced from bank, overtime and additional hours and this expenditure has also been adjusted to provide an indicative WTE.

Category	Total FSL (WTE) (including Non recurrent)	Staff on Payroll		Agency Indicative (WTE)	Flexible Backfill Indicative (WTE)	Total Indicative Staff (WTE)	Variance (WTE)
		Perm (WTE)	Temp (WTE)				
Admin & Clerical	1,790	1,557	151	117	63	1,888	98
Estates	174	155	5	2	8	170	(45)
Medical & Dental	709	352	25	118	0	495	(214)
Nursing & Midwifery	3,623	3,360	95	363	117	3,935	312
Professional/Technical	1,642	1,523	122	58	344	2,047	405
Social Services	2,740	2,198	104	95	211	2,608	(132)
Support Services	949	762	30	110	71	973	24
TOTALS	**11,627**	**9,907**	**532**	**863**	**814**	**12,116**	**489**

Currently the Trust has in the region an additional 489 WTE staff over the funded staffing level. A range of transformation posts are included in the staffing levels: funding has not yet been confirmed against those schemes. The COVID Workforce appeal has also resulted in additional staff which are included in these numbers.

Whilst maternity and sickness backfill will account for the majority of this, there will be a small number of staff who have been appointed as a result of:

a) Career break cover
b) Peripatetic cover
c) Advancement appointment where funding has not yet been received from the Commissioner but is confirmed (timing delay).

Section 5: Savings Plan Progress – by Directorate

The Trust has been advised of the indicative Targets to be set in 2022/23.

Classification	£000's	Savings Proposals 2022/23 As outlined in draft financial plan Feb 2022 (cye)	£000's	Achieved to date (projected) £000's	Recurrent Achievement Expected £000's
Medicines Optimisation Efficiency	1,172	Medicine Optimisation Efficiency	515	515	958
2022/23 Savings Targets	**1,172**	**2022/23 Savings Proposals**	**515**	**515**	**958**

The Trust is currently reviewing potential procurement savings with the lead pharmacist.

Section 6: NDNA Transformation Proposals

The Trust is progressing a range of proposals now under the banner of NDNA Transformation schemes and BAU Transformation schemes.

7 MH schemes £1.8m (FYE) are now funded recurrently. There are a further 7 schemes that are no longer to be included as transformation schemes. The Trust has completed financial monitoring returns reporting year to date spend of £2.06m and estimated projected CYE spend of £12.3m (at 20/21 rates) against all remaining transformation schemes in year. Comparing this full year spend to indicative allocations there is a shortfall that is included as a Trust Deficit in the Financial Plan. The Trust is working with Commissioners to identify funding allocations and what schemes can then progress in the current year and what schemes will cease. This is in respect of schemes where there are shortfalls compared to assumed recurrent funding allocations advised.

Section 7: COVID Cost Implications

The impact of the Coronavirus (Covid 19) emerged in March 2020 and continues to generate actions to deal with patients/clients.

Summarised areas of spend are:

Classification	**Expenditure £000's**
Additional staff (Workforce)	2,019
Service Delivery	0
Infrastructure	16
Equipment and Supply (incl PPE)	3,144
Digital and communications	0
Corporate (incl loss of income)	163
Others (includes Nightingale)	1,749
No More Silos (NMS)	1,003
Total	**8,094**

Section 8: Key Assumptions and Risks

A number of financial assumptions and risks were made in relation to the Financial Plan for 2022/23 and also with regard to the overall financial position.

- An additional 1.25% employer related National Insurance tax was introduced in April 2022. The Trust assumes this is fully funded by SPPG.
- The Trust has been instructed to proceed with the commissioning and implementation of Abortion services over the coming months. Recurrent funding has not yet been identified. The Trust will proceed at risk to establish service.
- A non-consolidated uplift was announced by the Health Minister in respect of 2021/22 pay funding settlements. Unfortunately this has not yet been processed for payment due to pressures on payroll shared services.

- The Trust actioned a voluntary buy-back of unused annual leave relating to 2021/22 (within certain legal restrictions) and the requests have been actioned during April and May 2022. A year-end accrual was prepared for 2021/22 which will cover all of the costs.
- Recognition by SPPG/DoH as to the scale of the pressures including COVID and Transformation, has not been fully confirmed on a non recurrent basis (with the exception of PPE). In relation to transformation related proposals, in the region of £4.8m of recurrent funding confirmation remains outstanding and is included in the financial plan.
- The Trust continues to experience a shortfall in the recruitment and retention of mainly medical and nursing staff. As a result, there is a reliance on high cost off contract agency appointments. This continues to be a financial pressure, which will impact into 2022/23. A range of initiatives were underway to mitigate these pressures including innovative recruitment drives and review of agency and locum utilisation, including a medical scrutiny committee.
- The Trust continues to monitor areas and to drive down costs where applicable. A Trust Locum Scrutiny Group has been established to review locum costs and a regional review of nurse agency costs continue.
- Cost pressures continue to be raised by providers in the Independent Sector with regard to the impact of the National Minimum Wage in Social settings, i.e. within Nursing and Residential Care settings and with Domiciliary Care providers. The Trust continues to liaise with Providers to quantify and contain this pressure.
- A number of job evaluations are pending and will if successful impact on both the Trust recurrent position and the provision of arrears.
- The new HRPTS (Payroll) has a range of outstanding issues, which impact on our current position. It is understood that the Payroll system requires a number of 'fixes' in order that these issues are corrected and fit for purpose in 2022/23. The Trust continues to liaise with the BSO Customer Forum to drive these issues forward.
- The Trust is reporting a cumulative average absence rate of 6.65% as at May 2022. The DoH target for 2021/22 is confirmed as 6.34%.

The Late Payment of Commercial Debts Regulations 2002 (updated 2013) allows commercial organisations to levy both interest and penalty charges on invoices that are deemed overdue for payment. The measure is generally payment is to be made within 30 days of receipt of the invoice or the delivery of the goods or services.

To negate the impact of this potential late payment liability, the Trust endeavours to settle all outstanding invoices within the required period and currently the Trust performance measure indicates that for May 2022 almost 94.99% of invoices have been paid.

Section 9: In Year Position

The year to date expenditure position for the purpose of the Trust monitoring returns is £169.7m.

Full I&E accounts have not been asked for Month 2 as allocations have not yet been released.

Section 10: Recurrent Position

The recurrent position of the Trust is under review pending the submission of the draft financial plan for 2022/23.

Analysis is continuing to review this position, especially in relation to the impact of

- Covid (PPE/project rebuild)
- Transformation
- NMS
- Cost pressures emerging from 2021/22 into the new financial year.

and will be dependent on the confirmation of recurrent funding from SPPG sources.

Our Vision

To deliver excellent integrated services in partnership with our community

If you would like to give feedback on any of our services please contact:

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Northern Health and Social Care Trust

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