Southern Health and Social Care Trust

HSC Southern Health and Social Care Trust

TOGETHER, IMPROVING CARE, TRANSFORMING LIVES

Draft Opening Budget

2026/27

Contents

Southern Health and Social Care Trust

1. Introduction

Draft Opening Budget 2026/27

Purpose

To present the draft Opening Budget Plan for 2026/27, based on the indicative allocation issued by SPPG on 8 May 2026, and to outline the associated financial position, risks, and key challenges.

Background

The Department of Health has not yet received its confirmed opening budget allocation from the Department of Finance. Accordingly, this paper presents a draft position based on indicative information currently available.

The Strategic Planning and Performance Group (SPPG) issued Planning Guidance to Trusts in February 2026, outlining the key assumptions underpinning financial planning. These assumptions were reflected in the draft submission prepared in February and subsequently resubmitted in March and May following further feedback from SPPG and the Public Health Agency (PHA). These submissions are currently under consideration by the Minister.

The latest savings plan submitted identifies £29.9 million of savings with the expectation that further savings will be required during the year to meet the overall shortfall and deficit in 26-27. The plan will be reviewed and updated once final allocations are confirmed.

The wider financial context across the Northern Ireland public sector, and particularly within Health and Social Care (HSC), remains extremely constrained, with a growing gap between funding and demand. This is at a time when the HSC is experiencing a rising demographic demand in our population with increased frailty, increased chronic diseases, with greater burden comorbidities. This increased demand without a matching increase in funding is causing strain on the services we provide resulting in increased waiting lists, pressures in our Emergency Departments and increasing demands on our acute, community, mental health and primary care sectors. Our estate has experienced underinvestment and requires major redevelopment, particularly across our two acute hospital sites.

The above factors are impacting on the health and wellbeing of our workforce, exacerbating already existing recruitment and retention issues.

The challenge of delivering financial break even in 2026-27 cannot be underestimated for the HSC, particularly as we must ensure that our limited resources are used to maintain safe services and to deliver the best outcome for our population. It also means that we must continue to embrace and pursue transformation to safeguard vital services for the future.

In 2025-26 the Southern Trust delivered a highly successful savings programme of £43m (4%). While the Trust will endeavour to build on the progress, the scale of the proposed further savings requirements presents an exceptional challenge in the current context. However, a proportion of the £43m savings (£6.9m or 16%) delivered in 2025-26 was non-recurrent in nature. This creates an underlying financial pressure moving into 2026-27. In addition, unavoidable growth, inflationary pressures and other cost drivers will further increase the financial gap.

Key risks

The key risks to the plan are the:

- Draft financial position may worsen pending final allocation
- Inability to achieve financial break-even
- Impact of savings on quality and safety of services
- Demand continuing to outstrip resources
- Workforce capacity constraints
- Infrastructure limitations

Strategic Response

The Trust will:

- Maintain focus on safe, high quality patient care
- Maximise efficiency within available resources
- Continue to pursue savings and cost control measures

- Progress service transformation to support long term sustainability

Conclusion

This draft Opening Budget highlights a highly challenging financial outlook for 2026/27. The absence of a confirmed funding position adds further uncertainty. The Trust will continue to refine its plans as more information becomes available.

2. Key Strategic Objectives

The 2026/27 Opening Budget plan aims to deliver on the following objectives:

- to set an annual budget and control total to ensure sustainable funding and effective use of resources in the delivery of high-quality healthcare while maximising value for taxpayers, to include deliverable savings and a quantum of measures required to support financial break-even in 2026-27;
- to ensure that this financial plan enables the delivery of the Trust Strategic Vision 2030 and 2026-27 Business plan.
- to provide a framework for making informed decisions about resource allocation, service delivery and future investments and to ensure that the Trust lives within its planned spend and expected variance in 2026-27.
- to identify potential financial challenges and risks and to develop strategies to mitigate them; and
- to provide Budget holders with opening budgets, a realistic control total and savings plan to enable them to effectively identify the resources available to them and to live within a reasonably expected control total.

This will be achieved through focusing on the following priorities:

- Resources are prioritised to deliver the Trust's strategic objectives, with the aim of improving the health and social well-being of, and reducing the health inequalities between, those for whom we provide, or may provide health and social care;
- Continue to develop collaborative working across the organisation which will facilitate ownership of the use of resources and the financial challenge through engagement with key decision makers including clinicians;
- New investment and disinvestment are focused on and driven by evidence of the change in health improvements delivered and will not exceed controls total;
- Ownership of budgets and Savings targets at Budget Holder level ensuring that spend is contained with the variance control total and proper financial governance is followed;
- Delegated budget holders and managers are properly trained to carry out their financial responsibilities and strengthening the Finance Business Partnering model;
- Under-pinning financial processes, governance and reporting in place to provide robust, timely and complete financial information to assist in the delivery of this Financial plan.

The Trust has a number of statutory duties that it must meet, and others that are required as a direct result of the indicative allocations afforded to it for the financial year 2026-27.

The **statutory** duties are: -

- Revenue expenditure **must not** exceed the Trust's Revenue Resource Limit
- Capital expenditure **must not** exceed the Trust's Capital Resource Limit

The Trust must therefore ensure that it does NOT spend in excess of the reported £10.8m deficit in 2026-27 and must fully achieve the Phase 1 2026/27 savings target of £29.9m in addition to the recurrent savings targets of £36.2m carried forward from 2025/26.

In addition, the Trust must pay 95% of Non-HSC suppliers within 30 days of receipt of goods or a valid invoice, (whichever is later).

3. SHSCT approach to Financial Plan 2026-27

In preparing the Financial Plan the objectives within the Trust's "Vision and Strategy 2030" were consider to ensure there is a consistent financial trajectory to which we are responding to the health needs of our local population.

3.1 Guiding Principles

The Trust will adhere to a set of principles to ensure we can deliver on this Financial Plan, while delivering on the statutory regulations to provide safe high-quality services and to financially break even. These principles are described below:

1. **Maximising Productivity:** priority will be given to maximise productivity by redesigning and improving services to do more with what we have, such as continuing to improve elective waiting list clearance, Same Day Emergency Care.

2. **Cost control and efficiency**: reducing the cost of service provision and spend that doesn't add value to our services, such as reducing our reliance on high cost agency and locum staff. Implementing tighter controls on discretionary spending, continue the control of recruitment through the Workforce Scrutiny Committee. The RISE programme will continue to closely monitor the implementation of the savings plan.

3. **Effective Financial Planning and Governance** - Setting challenging but achievable control totals and savings plans. Better re-alignment of budgets. Continue to develop the Financial Recovery Plan setting out realistic journey to financial balance. Embed clear links to strong operational planning to ensure the operations, finance and recovery are all aligned.

4. **Maintaining Safety:** Ensuring that impact of patient safety from activity, workforce and finance plans will be minimised.

5. **Innovation:** The Trust will continue to promote innovation and embrace new technologies to support sustainability of health care within available resources.

6. **Sustainability:** controlling our energy costs by investing in renewable energy and energy efficiency improvements. Seeking invest to save initiatives to reduce energy costs.

7. **Culture and Mindset** – The Trust will foster a strong value for money culture and mindset throughout the Trust. Further improve the finance awareness and training across the Trust.

8. **Effective governance and leadership** – The delivery of the Savings Plan and Finance Plan will be overseen by the RISE Programme Board with further oversight from the Finance, Performance and Workforce Committee which reports to the Trust Board.

9. **Communication and stakeholders** – Clear communication of the savings plan and Financial Plan to stakeholders and throughout the Trust through the development of a clear communications plan and share progress updates.

3.2 Investment Approach

Given the financial constraints it is recognised that new investment will be limited. We will ensure that both revenue and capital investment is carefully considered and targeted towards the delivery of the strategic objectives in 2026-27.

We will ensure that capital investments do not have an unaffordable revenue consequence. Revenue business cases will be prepared for all new and non-recurrent spending proposals and will be aligned to delivery of strategic objectives and assessed for affordability in line with the Financial Plan. Funding proposals and will be reviewed and approved by the Trust Strategic Investment Committee.

3.3 Application of revenue growth, pay and inflation

The Financial Plan assumes that annual growth in relation to the growing population and any increases in pay and inflation will be considered regionally by SPPG and PHA, which has increased the deficit position by £5m.

3.4 Financial Control Environment and Governance

At the start of each year, the Trust sets graded control totals for each directorate, based on forecasted spend rather than fixed budgets, to align expected expenditure with available resources. Spend is monitored against these totals each month. This has improved financial control across all directorates has supported effective budget management and ensured spending remains within approved limits. The Finance Department is working collaboratively with budget holders to realign budgets more accurately within agreed control totals, supporting improved financial management and accountability

The RISE (Reform, Improvement, Savings & Efficiency) Board has been in place for two years and oversees the progress and implementation of savings projects. A strong project management approach is applied to ensure the successful delivery of these projects. Project plans are being prepared and will be effectively communicated across directorates, with a lead director assigned to each project.

The Director of Finance chairs a RISE Steering Group meetings with Budget holders each month where detailed analysis is conducted on progress against each project plan, and remedial actions are implemented as needed. In addition, a monthly RISE Programme Board meeting, chaired by the Chief Executive, monitors overall progress and provides ongoing oversight of the projects. This structured approach has contributed significantly to the successful implementation of the programme to date.

The Trust has implemented a robust framework to strengthen financial governance, reporting, and control, ensuring discipline, accountability, and affordability across all services as follows:

- A Strategic Investment Committee (SIC), chaired by the Chief Executive, oversees all business cases for revenue and capital.
- The SIC reviews requests for additional unfunded spend and ensures that funding is only approved where there is a recognised funding stream.
- It also evaluates “Invest to save” cases that would allow funds to be allocated efficiently, ensuring spending aligns with available resources

- Monthly Finance Focus meetings are chaired by the Operational Directors with attendance from finance. The Finance Director attends meeting where financial targets are not on track. These meetings monitor financial performance across services, identify areas for improvement and initiate corrective actions where performance is off track.

- The Chief Executive holds Directorate Oversight meetings to maintain a firm grip on financial management and accountability

- Workforce Scrutiny Committee meets once a week to review unfunded and temporary posts and ensures that temporary appointments are approved only where funding is available. As a result, non-urgent posts have been held where possible, generating in-year savings.

- Overall, vacancy controls have been implemented and has been effective in managing workforce costs while supporting a reduction in temporary staffing and delivering financial savings.

- An independent review of unscheduled care was carried out in 2025-26 which challenged financial assumptions and identifies opportunities for improved efficiency and savings.

- Financial training has been provided to Trust Board, Budget Managers and Holders and this will continue in 2026-17 through HFMA on line budget training and in-person training finance courses will be held through out the year

- In 2026/27, the Trust has engaged PA Consulting to stress test the savings plan and provide independent assurance on its robustness and deliverability.

In summary financial decisions are now linked to available funding streams. There is a clear structure of oversight at multiple levels: Strategic Committee, Director level meetings, and Chief Executive oversight. Independent reviews have provided critical assurance and challenge assumptions. Overall, the Trust has established an improved

disciplined, accountable, and financially sustainable culture, while maintaining safe service delivery.

4. Financial Contingency Plan 2026-27

The Southern Health and Social Care Trust as part of its Financial plan is committed to improving performance, patient safety and achieving financial balance. The Trust deficit for 2026-27 is projected at £10.8m with Phase 1 savings for 2026/27 of £29.9m identified in addition to recurrent savings carried forward from 2025/26 of £36.2m. The Trust has prepared a draft Financial Plan for 2026-27 reflecting the indicative budget allocation, see Appendix 1.

4.1 Indicative Budget 26-27

The Trust received confirmation of updated the indicative opening budget from SPPG on 8th May 2026. The Trust indicative budget for 2026-27 reflects the following key elements:

- a roll forward of recurrent allocations from 2025-26
- SPPG – Indicative 2026-27 funding letter on 8 May 2026
- PHA assumed income for 2026-27
- Other RRL – e.g. SUMDE, Sure Start, NIMDTA, Supporting People (NIHE)
- Other income: e.g. client contributions toward Care Home placements, canteen and car parking receipts, income relating to Private Patient charging and supporting people
- Non-recurrent WLI funding of c£9m, recurrent WLI investment of c£9m and non-recurrent WLR assumed funding of c£1m
- No MORE Pharmacy savings target has been levied to date for 2026/27
- The recurrent 2025-26 element of the Medical & Dental, AFC and Senior Executive pay awards, however there is no uplift relating to 2026-27 pay at this stage
- High-Cost drugs assumed income of £3.1m
- Recurrent Deficit Funding from SPPG of £30.5m
- Non-Pay Inflation funding for 2026/27 of £4.1m

- Covid Support funding for PPE, Testing in line with DoH/PHA guidance, NMabs and Long Covid of £3.6m - Covid Directorate remains due to need to monitor this ring-fenced funding separately
- Tariff and Independent Sector uplifts for 2026/27 of c£7m
- The income budgets have been set based on an assessment of the actual income in 2026/27 adjusted for increases and decreases in income expected in 2026/27

Table 1 below summarises the recurrent 2026-27 indicative budget allocation provided by SPPG/PHA/NIMDTA. The Trust forecasted spend is **£1,187m** which results in a forecasted deficit of **£40.8m**. Following a review of low and medium impact savings, the Trust is expected to implement a Phase 1 Savings Plan of £29.9m in 2026-27 (these are in addition to the recurrent savings plan targets carried forward from 2025/26 of £36.2m), which will result in a net forecasted spend of **£1,157m** with a remaining gap/deficit of **£10.8m** however given the regional deficit it is anticipated that SPPG could seek further savings measures.

Table 1: Summary of SHSCT Financial Plan 2026-27

SHSCT 2026-27 Indicative Budget and Forecasted Deficit	**£m**
Indicative budget: recurrent and non-recurrent (CYE) (per SPPG/PHA/NIMDTA Indicative Budget)	**1,125**
Other Assumed income	21
Total Trust Indicative Budget	**1,146**
Demographic & RCCE Growth	5
Baseline Spend	1,182
Total forecasted gross spend (before additional savings in 26/27)	**1,187**
Planned additional in-year savings 2026-27	30
SHSCT net forecasted spend 2026-27	**1,157**
SHSCT net forecasted deficit 2026-27	**10.8**

The forecasted deficit of **£10.8m,** does not include any unforeseen pressures or areas of unavoidable growth not yet known, which if realised could increase the forecasted deficit.

4.2 Drivers of deficit

The main causes of the deficit (£6.9m) broadly reflect non-recurrent savings from 25-26. These reflect non-achievement of the medial locum target and balance sheet adjustment that contributed to the savings plan but are not repeatable in 26-27.

4.3 Growth

As in past years there will be increased expenditure projections over and above pay and non-pay inflationary due to demographic and activity growth.

High-Cost Drugs growth is usually in the region of 12% per annum with an anticipated cost of £3.1m in 2026-27. SPPG have advised that funding can be assumed for this growth.

The Trust has estimated that growth associated with demographic changes will be in the region of £5m in 2026-27, this broadly represents the growth levels in 2025-26. There have been significant changes in the age distribution within the Trust's population. The most pronounced change is in the number of people aged 65 and older, which is the main contributor of overall population growth.

The anticipated growth in population and activity over the next year is included in the deficit in 2026-27 and will require further consideration with SPPG and PHA.

Table 2 Anticipated Growth 2026/27

SHSCT Anticipated Growth 2026-27	
	£'m
Learning Disability and Physical Disability High-Cost Cases	4
Social Care – Direct Payments	1
Independent Sector beds 1 to 1s	1
Total Unfunded Anticipated Growth 2026/27	**5**

4.4 Baseline pressures

It is assumed that any residual baseline pressures are to be managed through the delivery of savings plans and expenditure control measures

4.5 Savings Plan 2026-27

The Trust has currently set a Phase 1 Savings target of £29.9m in 2026/27. This is in addition to £36.2m recurrent savings targets carried forward from 2025/26 (the Trust achieved savings of £43.1m in 2025/26 but £6.9m of these savings were deemed to be non-recurrent in nature).

Table 3 Summary of Trust Savings Plans 2026/27

Savings Plans 2026/27	2026/27 £m
Recurrent Savings c/f 25/26	36.2
New Phase 1 Savings Measures 26/27	29.9
Total Savings 2026/27	**66.1**

Savings targets will be aligned to Directorates. Table 4 below shows the savings targets per Directorate.

Table 4 Savings 26/27 per Directorate

Directorate	Recurrent Savings c/f 2025/26	Phase 1 New Savings 2026/27	Total savings 2026/27
	£'m	£'m	£'m
Medicine and Unscheduled Care	6.9	8.7	15.6
Surgery and Clinical Services	5.1	4.7	9.8
Children, Young People's and Women's Services	4.4	2.0	6.4
Mental Health and Disability	2.4	3.7	6.0
Adult Community Services	4.1	4.6	8.6
Finance, Procurement and Estates	4.0	2.5	6.5
Human Resources and Organisational Development	0.4	0.2	0.6
Medical Directorate	0.2	0.1	0.2
Nursing, Midwifery, AHP's and Functional Support Services	1.6	0.9	2.5
Planning, Performance & Informatics	0.5	0.5	1.0
Chief Executive	0.5	0.0	0.5
Urology Inquiry	1.3	0.0	1.3
Trust Unallocated	5.0	2.0	7.0
Total Savings 2026/27	**36.2**	**29.9**	**66.1**

New Phase 1 Savings measures 2026-27

Following a review of low and medium impact savings opportunities, the Trust has identified further Phase 1 savings measures totalling £29.9m for 2026/27 (see Appendix 2). These savings have been developed through a comprehensive review of all areas of expenditure, supported by workshops and engagement sessions with Directorates, the Senior Leadership Team, and the Trust Board.

All Directorates have been tasked with reviewing their expenditure across services and teams, with support from the Finance Department. These savings proposals will require further detailed analysis over the coming months and remain subject to refinement as Directorates develop and implement detailed savings plans.

The identified savings are currently being reviewed and stress tested by PA Consulting to provide assurance regarding their robustness and deliverability. As a result, the profile and value of these measures may change.

4.6 Achieving break-even in 2026-27

The Trust is currently operating on a draft budget position, and the final allocation remains unconfirmed. As such, the full extent of the financial challenge is not yet known, and it is anticipated that further savings requirements may emerge.

Given this uncertainty, the Trust is not in a position at this stage to confirm that a break-even position is achievable, nor to confirm that fully developed plans are in place to deliver financial balance in 2026/27

The Trust would currently need to identify a further £10.8m of high-impact savings, in addition to the delivery of the Phase 1 Savings Improvement Plan of £29.9m.

The implementation of additional high impact measures would require extensive stakeholder engagement, including consultation with staff, service users, and wider partners. Many of these measures would involve significant service reductions or temporary service withdrawal, with the potential for serious and detrimental impacts on service provision and population health outcomes.

Any such proposals would require formal consideration and approval by SPPG Commissioners, in line with HSC guidance on the “Change or Withdrawal of Services”, and would be subject to formal consultation processes.

5. RRL and CRL budgets

The opening budget has been set using 2 indicative budgets:

- **RRL – Revenue Resource Limits** – this is the financial performance target used to determine whether or not operational finance balance has been met. Revenue costs are split Pay and Non-Pay
- **CRL – Capital Resource Limits** – This is the expenditure limit for expenditure on capital purchases

Both of these budgets are subject to change to reflect additional funding that may be provided by SPPG/DoH to meet deficit/gap.

5.1 RRL Budget

The opening indicative 2026/27 RRL, is summarised in Table 5 below

Table 5 Opening RRL Indicative Budget

Opening Indicative Allocations	**2026/27 £'m**
SPPG	1,109
PHA (Assumed as last year's allocation)	8
NIMDTA (Assumed at 25/26 RRL as agreed with NIMDTA)	8
Opening Indicative Allocations 2026/27 (before Assumed Income)	1,125
Assumed Income	21
Total Opening Indicative Allocations 2026/27	**1,146**

5.2 Non-RRL Income

In addition to the RRL identified in Table 1 above the Trust receives income that can be grouped into two categories: -

1. Income from Activities, and
2. Other Operating Income

Table 6 below presents the anticipated income for 2026/27 from these two categories. These figures have been established by using the 2025/26 actual outturn position reduced

for one-off elements of income and by increasing other income streams to represent the full year effect of recurrent income received part way through 2026/27.

Table 6 – Summary of Non-RRL 2026/27

	£m	£m
Income from Activities		
Private patients	0.6	
Client Contributions	42.9	
Other Income from Activities	1.5	
Total Income from Activities		**45.0**
Other Operating Income		
Boarding and Lodgings	1.2	
Restaurant Receipts	3.0	
Miscellaneous Income	7.8	
Total Other Operating Income		**12.0**
TOTAL ANTICIPATED NON-RRL INCOME 2026/27		**57.0**

Table 7 – Total Income Available 2026/27

	£m	£m
Total anticipated RRL Income	1,146	
Total anticipated Non RRL Income	57	
Total Anticipated Income 2026/27		**1,203**

The total **maximum gross income** available for the Trust for 2026/27 is currently **£1,203m.**

5.3 Capital CRL

The current opening capital CRL (as at 13th May 2026) of £12.3m is set out in the table below.

Table 8 – Total Opening CRL 2026/27

Revised Indicative 2026/27 CRL - 13 May 2026	
Project	**Revised Indicative CRL May 2026-27**
Capital Schemes	
DHH Low Voltage Electrical Infrastructure	**2,000,000**
GP Improvement Scheme Trust Owned - Warrenpoint HC	**212,339**
GP Improvement Scheme Trust Owned - Rathfriland HC	**910,485**
GP Improvement Scheme Trust Owned - Brownlow HC	**930,809**
GP Improvement Scheme Trust Owned - Richhill HC	**28,000**
GP Improvement Scheme Trust Owned - Markethill HC	**131,909**
GP Improvement Scheme Trust Owned - Mid Ulster Healthcare (South Tyrone Hospital)	**82,348**
Primary Care Infractructure Projects	**34,489**
Ring-fenced allocations	
Backlog Maintenance	**3,039,583**
General Capital / MES	
General Capital	**4,967,295**
Total	**12,337,257**

This is subject to change when additional capital becomes available or when business cases have been approved. The Department of Health confirm any changes to CRL in writing.

6. Directorate Budgets

6.1 Basis for setting Opening Budgets

The opening budgets have been set for each Directorate and have been prepared following individual discussions with Budget holders based on spend in 2025-26 and reflecting any changes in spend projections and growth anticipated in 2026-27 (as far as can be reasonably predicted at this stage). SPPG provided updated indicative budgets on 8 May 2026, but we await final confirmation of Opening budgets. The Opening budgets were set on the following basis:

- Budgets are based on prior year expenditure, categorised as recurrent and non-recurrent. Budgets are set on a recurring basis and flexed to include expenditure that is of a non-recurring nature or for part year effects.

- Each Directorate has been set a budget which reflects the indicative budget allocated by SPPG/PHA/NIMDTA and a variance control total. The variance control total reflects the net deficit position of **c£10.8m.**

This is highlighted in the table below:

Table 9: Budget and variance control total

	£m
Indicative budget (as per SPPG/PHA/NIMDTA)	1,125
Assumed Income	21
Trust Indicative Budget	1,146
Trust Forecasted Spend	1,187
Phase 1 Savings 26/27	**(30)**
Variance Control total	**10.8**

- The control total will be used to cap deficits per Directorate to that level within 2026-27 so that the Trust does not exceed the overall projected deficit of **£10.8m** in year.

- Each Directorate will receive an indicative budget and a variance control total, profiled in line with budget profiles, to allow monitoring on a monthly basis.
- Proposed annual budgets are considered by SLT and recommended for approval by the Trust Board. Directors will be requested to sign off on budgets.

The Directorates budget including variance control totals are set out in the table below:

6.2 Summary of Directorate budgets and control totals

Table 10 – Directorate Opening Budgets and Variance Control Totals 2026/27

Directorate	Total Opening Bgt 2026/27	Control Total (Net projected spend) 2026/27	Variance Control Total 2026/27
	£'m	£'m	£'m
Medicine & Unscheduled Care	187	197	*-10.5*
Surgery & Clinical Services	187	188	*-1.4*
Children, Young People & Women's Services	171	175	*-3.7*
Mental Health & Disability	218	218	*0.0*
Adult Community Services	225	228	*-3.2*
Finance, Procurement & Estates	55	55	*0.0*
Human Resources	9	9	*-0.3*
Medical Director	8	9	*-1.2*
Nursing, Midwifery, AHP's and Functional Support Services	37	37	*0.0*
Performance, Planning & Informatics	11	11	*0.0*
Covid	4	4	*0.0*
Chief Executive	1	1	*0.0*
Urology Inquiry	0	3	*-2.3*
MHD Unallocated	5	0	*5.1*
Trust Unallocated	28	22	*6.8*
Totals	**1,146**	**1,157**	***-10.8***

Please see Appendix 3 for detail of the budget and variance control total.

6.3 Directorate budget assumptions

The following assumptions were also made in computing the opening Directorate budget for 2026/27:

- Trust Unallocated reflects those budgets held centrally until allocation to Directorates. These are necessary for the overall functioning of the Trust but are not currently attributable to a specific directorate or are held until associated spend within the directorates is realised at which point the budget will be realigned into the respective directorates.
- Of the **£30.5m** recurrent deficit funding allocated on SPPG Indicative allocations, to date **£21.1m** has been allocated to Directorate budgets (as per same basis of application of the non-recurrent deficit funding in 2025/26 against existing baseline spend). The balance of **£9.4m** will be held in Trust Unallocated.
- In addition the **£5.7m** baseline deficit funding c/f from 23/24 remains in Trust Unallocated. Both of these allocations will be held in Trust Unallocated until the Budget Realignment exercise is concluded and agreed at which time they will be allocated into Directorate budgets.
- Agency and Locum pay awards funding will be released to Directorates to cover the cost when invoices are presented for payment.
- General Non-Pay inflation indicative funding for 2026/27 will be allocated to Directorates when an assessment of areas of cost inflation pressures is completed.

Table 11 – Trust Unallocated Directorate Budget 2026/27

Trust Unallocated Directorate Budget	Budget 2026/27 £'m
Balance of Recurrent Deficit Funding 2026/27	9.3
Non-Pay Inflation 2026/27	4.1
Agency & Locum Pay Awards funding	4.5
Recurrent Baseline Deficit Funding c/f from 2023/24	5.7
Reserved Pay Award Funding (conversion of flexible/vacant posts)	4.2
Total Trust Unallocated Directorate Budget 2026/27	**27.8**

- Encompass costs of c£1.4m (for specific project posts funded by DoH) in 2026/27 are assumed fully funded. This cost excludes any net new posts to be recruited on a recurrent basis.

- Following agreement with the MHD Director the MHD budget has been rebaselined to reflect actual spend in 2026/27, including additional spend of c£4.4m for, in the main, appointment to vacant posts in Psychology and Disability Services, enhancement of inhouse transport provision, additional Learning Disability and Memory Services complex specialist placements/beds and respite beds. The historic underspend of £5.1m will be reallocated to a specific ring-fenced MHD Unallocated budget. There will be an assessment of this budget year on year with a priority on additional growth funding or savings from reduction in other budget areas to realign back to the Directorate.

6.4 Profiling

Whilst it is understood that any new funding for 2026-27 will be applied into budgets when the costs are realised, below details the general approach to profiling of budgets for 2026-27:

- Pay budgets are profiled on a normal monthly profile in twelfths.

- Non-Pay budgets are profiled as follows: -

  - High-Cost Drugs are profiled based on anticipated growth over the year
  - Beds and Domiciliary Care are profiled on days per month
  - Energy is profiled based on expected usage for 2026/27
  - Winter Plan funding is profiled 1/5th Nov – Mar

- Income budgets are profiled on a normal monthly profile in twelfths with the exception of client contributions which are profiled in days per month.

- The Low and Medium Phase 1 Savings Targets of £29.9m are profiled out of budgets according to the agreed implementation dates for each plan. The recurrent savings targets of £36.2m carried forward from 2025/26 are profiled out of budgets in equal twelfths.

The opening budget should be viewed as indicative only and will be subject to variations as we await any final opening budgets from SPPG/DoH. The opening financial plan and budgets will therefore be subject to revision on an iterative process over the coming months. Each directorate will receive a copy of their opening budget following SLT and Trust Board approval on the 28th May 2026 and will receive subsequent updates to budgets and variance control totals.

7 Risks

The overall financial position is a forecast based on a set of reasonable assumptions, however, there are a number of risks and costs which may affect the eventual financial outturn. The following sections set out the most significant risks: -

1. The Trust, as with all HSC organisations, continue to face upward demand on all areas and increasing regulation also places stress on capacity. **Mitigating Action:** Budget holders are responsible for managing spend within agreed control totals. This will be closely monitored and reported each month through Finance Focus meetings, SLT, TB and at RISE. All new funding requests must be appraised through the business case process and approved by the Strategic Investment Committee. Escalation to SPPG if funding cannot be met within the Trust's existing allocation.

2. All figures contained within this report exclude any additional costs directly associated with any unknown emerging pressures. **Mitigating action:** Any additional costs will be kept to a minimal whilst maintaining patient safety. Any costs pressures above control total will be flagged to SPPG at the earliest opportunity and in advance of spend

3. Underachievement of the Low and Medium impact Phase 1 2026/27 savings plans of £29.9m and the recurrent savings carried forward from 2025/26 of £36.2m. **Mitigating Action:** Alternative contingency savings measures will be put in place immediately

4. SPPG will likely increase the Trust's savings target in 2026-27. **Mitigating Action:** SLT will determine the potential for further savings measures that are achievable in year.

These risks will be monitored and reported in the monthly finance report, through the RISE programme and at the Finance, Performance and Workforce Committee.

8 Conclusion and Next Steps 2026/27

This opening budget plan has been developed after an assessment of the Trust's financial background, current position and consideration of the impact of priorities and regional influences within which it operates. It will, by its nature, will require continuous review and update.

The Trust will continue discussions with finance colleagues in both SPPG and DoH in an attempt to secure additional funding support in tandem with a process of continuous review of expenditure by Directors within their own areas to establish if there are any further opportunities for savings to be achieved in year to bridge the **current** maximum unresolved gap of **c£10.8m.**

Although at this stage we do not have clarity on our total allocation for 2026/27 the potential deficit is a significant risk to the Trust, and we will therefore undertake the following measures to manage the risk in 2026/27.

- Set budget allocation across Directorates including savings targets and assign variance control totals per Directorate against which Directorate outturn and variance will be monitored in 2026/27. Complete the budget re-alignment to better align spend to budget.

- Await outcome from SPPG/PHA/NIMDTA of formal confirmation of the opening budget and will make subsequent changes as required

- Continue to closely monitor and provide a regular update to the RISE programme board, Finance, Performance and Workforce Committee, Senior Leadership Team and Trust Board on the 2026/27 budget allocation, and deficit financial position.

- Challenge Directorate financial positions and savings achievement at specific Finance Focus meetings on a monthly basis with Directors and Assistant Directors and within scheduled monthly meetings with budget managers at all levels

- Continue to work closely with DOH/SPPG on the Trust deficit and the equity gap facing the SHSCT.

- Reflect the deficit as an extreme risk on the Trust risk register and closely monitor same.

Recommendation

The Board is asked to:

- **Endorse** the Opening Budget Plan to enable indicative opening budgets to be allocated to Directorates
- **Acknowledge** the uncertainty pending confirmation of funding
- **Support** the ongoing development of savings and transformation plans

Appendix 1 Draft Financial Plan 2026/27 (submitted to SPPG)

SHSCT	£m
25/26 Deficit Funding	21.1
Remaining share of £100m deficit at 31/10/25	8.3
Deficit at 31/10/25	**(29.4)**
Add: 26/27 Recurrent Deficit Funding	30.5
Subtract: 25/26 Non-recurrent only savings	(6.9)
Opening 26/27 (Deficit)	**(5.8)**
Subtract: Forecast Growth	(5.0)
26/27 (Deficit) / Surplus Before Savings	**(10.8)**
Retraction of Phase 1 savings 2026-27	(29.9)
Add: Phase 1 Savings to be achieved in 2026-27	29.9
Opening Deficit 2026/27	**(10.8)**

Southern Health and Social Care Trust

Appendix 2 New Phase 1 Savings Measures 2026/27 (£29.9m)

Phase 1 Savings Measures 2026/27	£000
Temporary Staffing including agency, locum and bank staff	
Nursing Utilisation Savings — Conversion to bank	2,816
EPCO (Enhanced Patient Care Observation)	1,669
Nursing Registered - Agency Reduction (reducing escalated beds)	2,106
Medical locum - Roster Design, framework, recruitment /Tempre	1,733
Reduction in Agency "other"	1,026
	9,350
Workforce Control including overtime, restructuring and skill mix	
PLICS Opportunities - System wide (Occupational Therapy & District Nursing)	609
Workforce Planning (overtime, allowances, on call and sickness reductions)	2,254
Vacancy control/ Recruitment slippage	4,735
	7,598
Procurement and Contract Management	
Reduction in Off contract procurement	493
GIRFT - T& O Specific	150
Review of CVS placements	885
	1,528
MORE/Pharmacy	
Driving Efficient Prescribing - Medicine's Optimisation	1,500
Review of over-ordering of stock	576
	2,076
Digital/AI	
Encompass Benefits Realisation	500
	500
Income Generation	
Increased client contribution income	1,000
	1,000

Facilities Management	
Estates - reduction in leases, review of space utilisation and review of disposal	150
Estates Maintenance	1,258
MICAD	470
	1,878
Corporate Savings	
Invest to save	343
Accounting adjustment	2,000
	2,343
Elective Care including EUR	
Review of Pathology and Radiology - cost efficiencies and savings	456
Reduction in Elective - Tariff based Elective WLI/WLR	
	456
Urgent Care including reduction in beds	
Stop Regional Control Centre	48
Reducing Unwarranted Variation (Inplementation of Sensible Care) - Including Optimising tests	947
	995
Older People's Care including Home Care and Care Homes	
Embed CareLine Live across localities	500
FOC - Introduction of charging from Day one in homes	500
	1,000
Mental Health and Learning Disability	
Liaison High Cost Case Review	500
Daycare Centres reduction	500
	1,000
Children's Services	
Taxi Transport Rationalisation	220
	220
Total Savings	29,944

Southern Health and Social Care Trust

Appendix 3 Directorate Opening Budgets & Control Totals 2026/27

Directorate	Total gross bgt per commissioners 2026/27	Recurrent 2526 savings c/f	Phase 1 2627 savings	Total net bgt per commissioners 2026/27	Assumed Income 2026/27	Total Opening Bgt 2026/27	Control Total (Net projected spend) 2026/27	Variance Control Total 2026/27
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Medicine & Unscheduled Care	198	7	9	183	4	187	197	*-10.5*
Surgery & Clinical Services	195	5	5	185	1	187	188	*-1.4*
Children, Young People & Women's Services	168	4	2	161	10	171	175	*-3.7*
Mental Health & Disability	223	2	4	217	0	218	218	*0.0*
Adult Community Services	233	4	5	224	1	225	228	*-3.2*
Finance, Procurement & Estates	61	4	3	55	0	55	55	*0.0*
Human Resources	9	0	0	9	0	9	9	*-0.3*
Medical Director	5	0	0	5	3	8	9	*-1.2*
Nursing, Midwifery, AHP's and Functional Support Services	39	2	1	37	0	37	37	*0.0*
Performance, Planning & Informatics	11	0	1	10	1	11	11	*0.0*
Covid	3	0	0	3	1	4	4	*0.0*
Chief Executive	2	0	0	1	0	1	1	*0.0*
Urology Inquiry	2	1	0	0	0	0	3	*-2.3*
MHD Unallocated	5	0	0	5	0	5	0	*5.1*
Trust Unallocated	35	5	2	28	0	28	22	*6.8*
Totals	**1,190**	**36**	**30**	**1,125**	**21**	**1,146**	**1,157**	***-10.8***