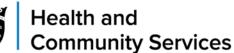


Report to:	Health and Community Services	Advisory Board	
Report title:	Finance Report M10		
Date of Meeting:	28 November 2024	Agenda Item:	11

Executive Lead:	Tom Walker, Interim Chief Officer HCS
Report Author:	Obi Hasan, Finance Lead Change Team, Interim Lead of Finance Business Partnering HCS

Purpose of Report:	Approval 🗆	Ass	urance	\checkmark	Inform	ation √		Discussi	ion √				
				th an up	date or	the Mor	nth 10 F	inancial	positi	on for			
Summary of Key	The key mess	sages arisin	g from th	is report	are:								
Messages:	FY24 Month	10 Finance	Positio	n									
	This paper provides the Board with an update on the Month 10 Financial position 2024 and year-end forecast. The key messages arising from this report are: FY24 Month 10 Finance Position												
	HCS Categorisation	(£'000) (£'000)			(£'000)		(£'000)	000) (£'000) Variance					
	Non Pay	10,065 13,19	91,063	110,286	(19,223)	109,196	129,798	3 (20,602)	(21.1%)	(2.0%) (18.9%) (10.1%)			
	Grand Total	26,446 30,033	254,109	278,819	(24,711)	304,551	332,516	6 (27,965)	(9.7%)	(9.2%)			
	Underlying position and Run-rate												
	Adjusting for one-off items and non-recurrent costs the underlying run-items												
	FY24 year-er	FY24 year-end forecast											
	to mitigate the underlying risk of £29.5 million deficit. The forecast has been updated to a £28m deficit, following a further detailed review of the deficit range previously reported of between £24.5m and £29.5m. This is due to the net impact of additional savings delivery from FRP and Cobra actions of £2.9m vs target £5.3m, and absorbing significant continued non-pay cost pressures, particularly from steeply rising costs of social care and mental health packages, tertiary care												
	FRP savings	delivery											
	original s	chemes ar	d an ac	ditional	£2.3m	of mitig							
	 Forecast savings delivery for FY24, including additional FRP and additional Cobra actions, are £8.1m vs plan of £5.2m, over-delivering by £2.9m, which mitigates against the above cost pressures reducing the underlying forecast deficit to £28m. 												



Recovery Actions

Recovery actions being taken include:

- Financial Recovery Actions led by Cobra Executive Team Additional savings to reduce underlying deficit of £29.5m to the mitigated forecast of £28m or less.
- Sustainable long-term funding a paper has been shared with Treasury and the MHSS for discussion and the Advisory Board, making the case for a long-term sustainable funding settlement for HCS.

Risks and Opportunities

- Risks to the year-end forecast are from rising costs of social care and mental health packages, the high price and volume of tertiary care contracts, impact of high cost drugs, and additional charges from accommodation voids
- Opportunities that may benefit the year-end forecast are potential stock gain, long outstanding amounts to be written-off, and overprovision of PPE Stock.

Budget Planning 2025

- Budget planning and monitoring of expenditure for 2025 budget planning for 2025 is underway, for budget sign-off and completion by the end of Dec-24. With new financial reporting tools, accountable budget owners will be able to monitor and manage their budgets actively and timely way.
- The overall budget amount for 2025 for HCS is detailed in the proposed Budget 2025-28. The Budget planning process for 2025 will ensure that planned income and expenditure fits within the allocated budget.
- Work is progressing on the development of a proper Operating Plan for HCS, starting with the 2025 budget planning cycle and for completion by 2026 that will allow HCS to determine each year the level of funding required to run a sustainable health service that fits within the available budget funding.

Conclusion

- FY24 YTD M10 deficit is £24.7m giving a headline monthly run-rate of £2.5m. Adjusting for one-off items and non-recurrent costs the underlying monthly run-rate is £2.3m.
- The current reported FY24 year-end forecast is £28m, which has been revised from the previous forecast of £24.5m, following further detailed review of the underlying position, ongoing cost pressures mainly in non-pay, and delivery of additional savings from Cobra team actions.
- Forecast savings delivery for FY24, including FRP and additional Cobra actions, are £8.1m vs plan of £5.2m, which mitigates against further cost pressures, reducing the underlying forecast deficit to £28m.
- Recovery actions being taken include:
 - Financial Recovery Actions led by Cobra Executive Team Additional savings to reduce underlying deficit of £29.5m to the mitigated forecast of £28m or less.
 - Sustainable long-term funding a paper has been shared with Treasury

Health and Community Services

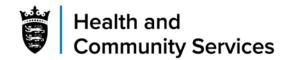
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	and the MHSS for discussion and with the Advisory Board, making the case for a long-term sustainable funding settlement for HCS.
	Risks - Social Care and Mental Health Packages, Tertiary Care Contracts, High Cost Drugs, Accommodation Voids
	Opportunities - Stock gain, Long outstanding amounts to be written-off, PPE Stock
	• Budget Planning 2025 is underway with Care Groups and Directorates for budget sign-off and completion by the end of Dec-24. The Budget planning process for 2025 will ensure that planned income and expenditure fits within the allocated budget.
	• Work is progressing on the development of a proper Operating Plan for HCS, starting with the 2025 budget planning cycle, for completion by 2026.
Recommendations:	The Board is asked to discuss the financial position noting the risks and mitigations and recommendations for future funding.

Link to JCC Domain:	Link to BAF:						
Safe		SR 1 – Quality and Safety					
Effective		SR 2 – Patient Experience					
Caring		SR 3 – Operational Performance (Access)					
Responsive		SR 4 – People and Culture					
Well Led	\checkmark	SR 5 – Finance					

Boards / Committees / Groups whe	Boards / Committees / Groups where this report has been discussed previously: Meeting Date Outcome Senior Leadership Team meeting 14 November 2024 Board Reporting									
Meeting	Date	Outcome								
Senior Leadership Team meeting	14 November 2024	Board Reporting								

List of Appendices:	
Nil	

MAIN REPORT



FY24 Month 10 Finance Position

	Current	Month		Year-to-Date			Year-to- Date	Full Year		
HCS Categorisation	Budget (£'000)	Actual (£'000)	Budget (£'000)	Actual (£'000)	Variance (£'000)	Budget (£'000)	Forecast (£'000)	Variance (£'000)	% Variance	% Variance
Staff Costs	18,954	19,608	186,222	189,682	(3,460)	224,330	228,768	(4,437)	(1.9%)	(2.0%)
Non Pay	10,065	13,191	91,063	110,286	(19,223)	109,196	129,798	(20,602)	(21.1%)	(18.9%)
Income	(2,573)	(2,767)	(23,177)	(21,149)	(2,028)	(28,975)	(26,049)	(2,926)	(8.7%)	(10.1%)
Grand Total	26,446	30,033	254,109	278,819	(24,711)	304,551	332,516	(27,965)	(9.7%)	(9.2%)

• The Financial position for YTD Month 10 is a £24.7m deficit vs budget giving a headline monthly run-rate of £2.5m.

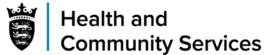
The key drivers are:

Current Month position is a £3.6m deficit:

- Staff Costs £0.7m overspend is mainly due to £0.7m in Medical Services although agency staff cost continue to fall as in previous months (no. of agency staff as at end of Oct is c.96 vs 107 last month (27 doctors, 38 Nurses vs 49 last month, and 31 AHPs and Other). The Care Group has seen overspends across staffing of £0.2m in General Medicine, and £0.1m in each of Pathology-Medical Staffing, Acute Assessment Unit, A&E Nursing, Rheumatology, and Diabetes. These overspends are partly due to a catch-up on supplier debt to staffing agencies. There are also overspends in Women & Children's Services of £0.2m, and Surgical Services and Chief Officer's Department both £0.1m. All other areas are either underspent or break-even in the current period.
- Non-Pay £3.1m overspend includes significant overspends in Medical Services £0.8m, due to £0.3m overspend on drugs, with £0.2m between Oncology, Clinical Haematology, Sexual Health, and Medical Day Care, £0.2m on laboratory testing in Pathology (catch-up of outstanding activity), and £0.1m on Medical Equipment & Supplies, Clinical Investigations and Diabetes, Tertiary Care £0.6m due to known pressures mainly on Southampton and Oxford contracts, Social Care £0.4m in relation to Domiciliary Care Placements, Patient Access & Clinical Administration £0.2m due to Patient Travel costs, Mental Health £0.2m on UK placement costs, and Surgical Services £0.2m, with around half due to drugs issues (Intensive Care, Dermatology, Ophthalmology, Radiology).
- Income over-achievement £0.2m includes an over-achievement in Medical Services of £0.2m due to funds received in relation to Oncology private patients, and £0.2m of income received from CYPES in Women & Children's Services in relation to the Baby Steps initiative.

Year-to-date (YTD) position is a £24.7m deficit:

- Staff Costs £3.5m overspend is made up of an agency overspend of £13.1m (no. of agency staff as at end of Oct is c.96 vs 107 last month (27 doctors, 38 Nurses vs 49 last month, and 31 AHPs and Other), an overtime overspend of £2.8m, and a budget pressure of £1.3m, offset by a substantive underspend of £13.8m (no. of vacancies as at end of Sept: 462 FTE). The Care Groups/Directorates accounting for this Staff Costs overspend are Medical Services £3.5m, Surgical Services £1.6m, Women and Children £1.2m, Chief Officer's Dept £0.9m, and Mental Health £0.1m. All other areas are underspent on staffing. £0.7m of the Surgical Services overspend relates to doctors' job planning impacts, with £0.3m in Medical Services.
- Non-Pay £19.2m overspend includes significant overspends in Medical Services £4.4m in relation to consumables and Oncology and Medical Day Care drugs, Social Care £3.7m mainly in relation to domiciliary care packages, Tertiary Care £2.6m in relation to acute hospital referrals to the UK, Surgical Services £1.6m in relation to consumables, £1.6m in Mental Health due to placements, £1.4m in Medical



Director in relation to investigations and insurance costs, and an overspend of £1.0m in Estates & Hard Facilities Management mainly in relation to utilities and maintenance. The Chief Executive's Office overspend of £2.4m includes an overspend of £1.7m in relation to the opening budget pressure aligned here as part of budget setting for 2024, and a £0.4m cost pressure from the recharge of Accommodation Service income 'voids' for Q1 – Q3 2024.

- Income under-achievement £2.0m includes under-achievements in Surgical Services £2.6m and in Non-Clinical Support Services £0.4m with reduced recovery of income in Catering through the ending of an SLA with CYPES for school meals, and an under-recovery of Laundry income from external customers. There is an underachievement of Long Term Care income of £0.7m between Community Services, Mental Health, and Social Care, following a detailed view of amounts billed, and reflecting a closure of 5 beds at Sandybrook. These under-achievements are offset by Health Education income received for Apr-23-Mar-24 with a £0.8m overachievement in Medical Director.
- **Underlying position and run-rate** Adjusting for the non-recurrent one-off items, budget phasing, overaccruals and recharge, the underlying deficit at M10 is £22.9m or an average monthly run-rate of £2.3m.

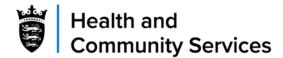
FRP savings delivery

- FRP savings delivery YTD M10 is £7m vs £4.3m plan, made-up of £4.7m against original schemes and an additional £2.3m of mitigation schemes to recover slippage and additional cost pressures identified.
- Forecast savings delivery for FY24, including additional FRP and additional Cobra actions, are £8.1m vs plan of £5.2m, over-delivering by £2.9m, which mitigates against the above cost pressures reducing the underlying forecast deficit to £28m.

Workstreams	Projects	Scheme RAG	Revised 2024 Planned Savings	Jan	Feb	Mar	Apr	Мау	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total 2024 Forecast Saving	Revised Plan YTD	YTD Actual Saving	Revised YTD Plan vs Actual Savings	Revised FY2 Plan vs Forecast Savings
Delivery Tracker																				
								Act	tual					Fore	ecast					
Clinical Productivity	Theatres Efficiency	•	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workforce	Clinical - Medical	0	800	34	40	44	56	63	36	58	56	82	83	83	83	716	667	551	-116	-84
	Clinical - AHPs	0	700	13	13	13	69	69	69	94	132	132	132	134	134	1,005	583	738	155	305
	Clinical - Nursing	•	400		-		-	21	36	38	86	108	130	147	158	724	333	419	86	324
	Workforce Savings	0	516	-	-	-	-	75	53	84	98	102	81	85	85	662	430	493	63	146
	Pay Controls (WCP)	•	215	-	-	-	43	41	44	42	22	18	11	11	12	245	179	222	43	30
Non-Pay and Procurement	Non-Pay Controls (NPCP)	•	-	-	-	-	-	-			-	-	-	-		-	-	-		-
	Centralised Buying Function	0	170	19	19	74	25	33	17	6	35	33	31	13	13	318	142	292	150	148
	Commissioned Services	۲	100	9	9	9	9	9	9	9	9	22	22	22	22	160	83	116	33	60
	Governance & Contracting				-	-		-		-	-									
	Procurement		295 600	65 26	65	65 40	-	-	-	17 66	17 68	17	17	17	17	296	246	262 565	16 65	1
	Medicines Management Other Non-Pay	ĕ	000	20	32	40	37 2	69 2	70 2	2	2	79 2	79 2	128 2	128 2	822 15	500	12	12	222 15
Income	Other Income Opportunities Private Patients		490 819	65 35	68 43	68 28	30 72	28 34	32 49	36 116	32 57	37 94	27 74	32 147	32 147	487 895	408 683	423 602	15 -81	-3 76
Total schemes curren			5,105	267	289	341	343	444	417	566	615	725	688	819	830	6,344	4.254	4,695	441	1.239
Development Tracker																				
Development Hucker									Plan	ned										
Non-Pay and		•																		
Procurement	Centralised Buying Function	_	-											10	10	20	-	-	-	20
	Commissioned Services	•	-											-	-	-	-	-	-	-
	Governance & Contracting Procurement	•	-											_		-				-
Income	Other Income Opportunities	•	-											3	3	6	-	-	-	6
	Private Patients	•	41											75	75	150	34	-	-34	109
Total Schemes being	prepared for delivery		41	-	-	-	-	-	-	-	-	-	-	88	88	176	34	-	-34	135
TAL FRP SCHEME SA	VING S		5,146	267	289	341	343	444	417	566	615	725	688	907	918	6,521	4,288	4,695	406	1,374
								Act	tual					Fore	ecast					
Other budget pressur	es Identified mitigating budget measures		1,440	-	-	953	257	218	174	162	76	76	119	58	58	2,152		2,035	2,035	712
			4.450													4 222				5 204
	budget measures		4,158	-	-	-	-				-	-	-	-		-1,223		-	-	-5,381
	 COBRA identified mitigating budget measures 		1,262	-	-	-	-	-	-		16	123	123	177	212	650		262	262	-612

FRP Delivery and Development Tracker – FY24 Savings Delivery

• The FRP Programme over the four years has identified savings of £25m with delivery phased over FY23 £3m, FY24 £5m, FY25 £8m and FY26 £9m.



FY24 Year-end Forecast

The current reported FY24 year-end forecast has been updated to a £28m deficit, following a further detailed review in October of the forecast deficit range previously reported of between £24.5m and £29.5m. This revised forecast has resulted from the net impact of additional savings delivery from FRP and Cobra actions of £2.8m vs target £5.3m, and continued significant non-pay cost pressures, particularly in Tertiary Care, Social Care, Mental Health, and Medical Services.

The detailed break-down of the forecast variances is as follows:

• Staff Costs £4.4m forecast overspend due to a £16.7m overspend on agency locums (total forecast spend £23.5m), and £1.3m from negative budget pressures, partially mitigated by a £13.5m underspend on substantive staffing due to vacancies.

The net impact above is made-up of:

- Net overspends due to agency/locums and substantive costs in Medical Services £4.1m, Women & Children's Services £1.8m, Surgical Services £1.4m, Chief Officer's Department £1.1m, and Mental Health £0.4m, which are mitigated by substantive pay underspends of £4.3m in other Care Groups.
- £1.2m re the full year impact of doctors' back-pay from job planning.
- Non-Pay overspend £20.6m with the main forecast overspends in Medical Services £6.3m, Social Care £4.4m, Tertiary Care £3.4m, Surgical Services £1.7m, Medical Director £1.6m, Mental Health £1.5m, Estates £1.1m, Patient Access £0.5m, Community Services £0.3m, Non-Clinical Support Services £0.1, and Women & Children's and Chief Nurse both £0.1m.
- Income under-achievement £2.9m is due to the current forecast shortfall in Surgery private patient income of £3.5m, due to levels of private throughput not reaching targeted levels. There is a forecast under-achievement of £0.8m for Long Term Care Benefit income across Mental Health and Intermediate Care, partly due to bed closures at Sandybrook £0.4m, and the remainder due to correction of historical invoicing back to 2021, which has now been reconciled with CLS. Further work is being done with Social Care and CLS around potential improvements to the Long Term Care income in this area. There is also a £0.5m under-achievement in Non-Clinical Support Services, mainly due to delays in the increase in laundry income, which is now improving, and the cessation of school meals provision to CYPES. These pressures are offset by non-recurrent over-recovery of Health Education England income in Medical Director £0.9m, and overachievement of income targets in Medical Services of £0.5m.

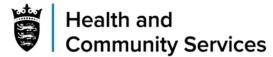
Recovery Actions

Recovery actions being taken include:

- Financial Recovery Actions led by Cobra Executive Team Additional savings to reduce underlying deficit of £29.5m to the mitigated forecast of £28m or less.
- Sustainable long-term funding a paper has been shared with Treasury and the MHSS for discussion and the Advisory Board, making the case to provide a long-term sustainable funding settlement for HCS.

Risks and Opportunities

Risks to the year-end forecast are from rising costs of social care and mental health packages, the high
price and volume of tertiary care contracts, impact of high cost drugs, and additional charges from
accommodation voids



• Opportunities that may benefit the year-end forecast are potential stock gain, long outstanding amounts to be written-off, and overprovision of PPE Stock.

Budget Planning 2025

- Budget planning and monitoring of expenditure for 2025 budget planning for 2025 is underway, for budget sign-off and completion by the end of Dec-24. With new financial reporting tools, accountable budget owners will be able to monitor and manage their budgets actively and timely way.
- The overall budget amount for 2025 for HCS is detailed in the proposed Budget 2025-28. The Budget planning process for 2025 will ensure that planned income and expenditure fits within the allocated budget.
- Work is progressing on the development of a proper Operating Plan for HCS, starting with the 2025 budget planning cycle and for completion by 2026 that will allow HCS to determine each year the level of funding required to run a sustainable health service that fits within the available budget funding.

Recommendation

The Board is asked to note:

- FY24 YTD M10 deficit is £24.7m giving a headline monthly run-rate of £2.5m. Adjusting for one-off items and non-recurrent costs the underlying monthly run-rate is £2.3m.
- The current reported FY24 year-end forecast is £28m, which has been revised from the previous forecast of £24.5m, following further detailed review of the underlying position, ongoing cost pressures mainly in non-pay, and delivery of additional savings from Cobra team actions.
- Forecast savings delivery for FY24, including FRP and additional Cobra actions, are £8.1m vs plan of £5.2m, which mitigates against further cost pressures, reducing the underlying forecast deficit to £28m.
- Recovery actions being taken include:
 - Financial Recovery Actions led by Cobra Executive Team Additional savings to reduce underlying deficit of £29.5m to the mitigated forecast of £28m or less.
 - Sustainable long-term funding a paper has been shared with Treasury and the MHSS for discussion and the Advisory Board, making the case for a long-term sustainable funding settlement for HCS.
- Risks to the year-end forecast are from rising costs of social care and mental health packages, the high price and volume of tertiary care contracts, impact of high cost drugs
- Opportunities that may benefit the year-end forecast are potential stock gain, long outstanding amounts to be written-off, and overprovision of PPE Stock.
- Budget planning and monitoring of expenditure for 2025 budget planning for 2025 is underway, for budget sign-off and completion by the end of Dec-24, to ensure the planned spend and income fits within the allocated budget, as detailed in the proposed GoJ Budget 2025-28.
- Work is progressing on the development of a proper Operating Plan for HCS, starting with the 2025 budget planning cycle and for completion by 2026, to determine each year the level of funding required to run a sustainable health service that fits within the available budget funding.

END OF REPORT

