

 **Integrated Finance Report for the period ending**

 **31 October 2024**

**For presentation at the**

**ICB Board**

**Date: 11/12/2024**

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1. **Executive Financial Summary**

Humber and North Yorkshire NHS system agreed a £50m deficit plan with NHS England (NHSE) for 2024/25. In line with the NHS financial framework, the system received a non-recurrent deficit support revenue allocation equal to the £50m deficit plan. This allocation is conditional on the system delivering a breakeven position for 2024/25.

The ICS has reported a £25.9m deficit against a £21.8m year to date plan. This is an overspend of £4.1m against plan that is mainly due to pay award costs being in excess of funding received. The level of actual year to date deficit requires the system to urgently progress additional savings plans in the remainder of the financial year to support delivery of the planned financial position.

Following detailed analysis of financial position by all organisations at month 7, the overall system risk/challenge of delivery of the planned financial position is circa £60m. All organisations are reviewing further actions that can be taken in 2024/25 including difficult decisions that the system may need to make in the coming weeks. Organisational and system financial recovery plans are being developed for further assessment at month 8.

The table below describes the key financial indicators that have been reported across both the ICB and NHS providers as at the end of October 2024 (Month 7):



1. **System Financial Commentary**

This report presents the financial position, including NHS providers and the ICB, that is available for the system for the period ended 31 October 2024.

* 1. **System Financial Position**

The month 7 position for the system is showing a variance of £4.1m against a year-to-date plan deficit of £21.8m.This overspend relates mainly to pay award costs being in excess of funding received.

As the majority of planned efficiencies/mitigating actions for the ICS providers are phased into the last quarter of 2024/25, the month 7 plan and actual expenditure exceeds the full year planned deficit.

System finance leaders held a workshop 21st November focused on financial recovery planning and urgent next steps. The group critically reviewed draft forecasts/scenario work and agreed areas that require further work. The group also reviewed areas where difficult decisions would need to be made that could potentially improve the financial position, identified which organisations would be impacted and the next steps including undertaking quality impact assessments.

The group also agreed to bring all of the work undertaken so far into a system recovery plan, to be completed in the next two weeks and shared with Boards in December, including:

* The external review already undertaken and how the possible opportunities identified from this are being taken forward.
* A detailed forecast (per organisation and overall, for the system) with key assumptions.
* The grip & control measures that have been implemented and evidence of ongoing monitoring and compliance (including those from the planning closedown appendix).
* Balance sheet review (which is currently underway).
* How the financial plan could be achieved including any difficult decisions that would be required.

Initial discussions have been held with internal audit regarding continued and routine assurance of application of grip & control measures building on the work undertaken by external support.

* 1. **System Efficiencies**

Delivering the system efficiency programme remains a key focus for 2024/25. All organisations are reviewing the scope and delivery impact of the opportunities identified through the multi-disciplinary summit outputs. The system continues work to maximise on recurrent delivery schemes to support both the in-year position and the recurrent underlying position of the ICS.

* 1. **System Capital**

Capital Expenditure, including all funding streams and IFRS, is underspent to date at month 7 mainly as a result of schemes starting later than planned. The forecast position for the ICS is that expenditure will align with plan following confirmed adjustments for additional income to support provider specific schemes.

* 1. **ICB Establishment Costs**

The ICB's establishment costs plan budget includes a savings/efficiency target requirement of £4.8m in 2024/25 to support the overall ICB financial position and live within running costs allocation for 2024/25. This is being delivered through vacancy control and management of non-pay costs and forecast delivery is in line with plans.

* 1. **Mental Health Investment Standard**

The ICBs MHIS target is 4.1% for 2024/25 that is consistent with the ICB allocation growth % for 2024/25.

1. **ICB Summary Income & Expenditure**

The summary ICB position is at Table 2 and at Month 7 shows a small overall overspend of £0.1m for the ICB. The forecast is a breakeven position.

The main areas of variance to year-to-date plans within the overall position are in:

* Acute Services – overspend of £2.1m mainly due to ERF and non-ERF costs exceeding income/budget.
* Mental Health Services – underspend of £3.8m mainly due to prior year benefits and some slippage on developments.
* Community Health Services – underspend of £3.6m mainly due to prior year benefits and some contractual underspends in 2024/25.
* Continuing Healthcare – overspend of £1.2m mainly due to increase in costs relating to high-cost packages of care.
* Delegated primary care services costs – underspend of £1.2m relating to rates rebates and prior year benefits.
* Other programme services – overspend of £5.6m relating to assumed income that has not yet been identified.

The above variances are based on information available to date and are being reviewed. Mitigating actions including non-recurrent measures are being explored.



1. **ICS Provider Income & Expenditure**

The Month 7 position for the ICS NHS Providers (Table 3) is a deficit of £25.8m against a year-to-date plan deficit of £21.8m. This is an adverse variance to plan of £4m at month 7 and relates mainly to pay award costs in excess of income received. The forecast is a breakeven position.

The month 7 plan and actual expenditure exceeds the full year planned deficit as the majority of planned efficiencies/mitigating actions are phased into the last quarter of 2024/25. This position continues to raise significant concern and the system has progressed work in the last month to refine and understand run rate and variances and model forecast scenarios. The risk/challenge of delivering the financial plan has been quantified at circa £60m.

All organisations are developing financial recovery plans that will input into an overall system recovery plan within the next two weeks that will be taken to Boards in December including:

* The external review already undertaken and how the possible opportunities identified from this are being taken forward.
* A detailed forecast (per organisation and overall, for the system) with key assumptions.
* The grip & control measures that have been implemented and evidence of ongoing monitoring and compliance (including those from the planning closedown appendix).
* Balance sheet review (which is currently underway).
* How the financial plan could be achieved including any difficult decisions that would be required.



1. **System Efficiencies**

At month 7, the system showed actual achievement of £108.7m against a target of £106.6m, a favourable variance of £2.1m. This comprises of the providers delivering £70.6m against a £70.1m plan (£0.6m favourable) and the ICB delivering £38.1m against a £36.5m plan (£1.5m favourable). The system forecast is to deliver £220.7m, a shortfall of £14m against plan.

Table 4 shows the position at ICB and provider level and highlights the recurrent and non-recurrent assessment of schemes. For 2024/25, 52.7% of the overall efficiency is forecast to be delivered on a recurrent basis.

More detailed scheme information is available at Appendix 1.



Table 5 shows the status of scheme development for the ICB and across ICS providers.



1. **System Capital Summary**

The forecast capital programme for the system comprises of:-

* £90.3m ICS core capital, used mainly for replacement of existing assets based on depreciation
* £17.9m IFRS16, for the accounting of new or renegotiated leases
* £63.3m additional national capital for specific schemes, such as CDC, digital, Vascular Intervention Unit in York and elective recovery across all our acute providers.
* £4.3m primary care and CDC and £7.5m for Catterick, £2.5m from our system capital and £5m from NHS England.

Table 6 sets out the overall Capital summary for the system. There is some year-to-date slippage with schemes starting later than planned and slippage linked to NLaG community diagnostic centres and the Humber service reconfiguration. Harrogate Trust is also currently behind plans with respect to TIF.

A mid-year review has been undertaken with providers and this has identified a few risks which will need to be carefully managed through the remainder of the year. The overall forecast is to contain capital costs within adjusted capital plans for 2024/25.

 Further scheme level information is available at Appendix 2.



1. **Summary Provider Agency Expenditure**

The ICS providers agency costs target for 2024/25 is £51.9m, a £7.5m reduction from the 2023/24 target of £59.4m. At month 7, the agency costs have continued to reduce and are only forecast to exceed target by £0.3m. Agency costs are £14.4m lower than 2023/24 expenditure for the same period and forecast for 2024/25 is £27.8m below 2023/24 actual expenditure level.

Nursing agency costs have continued to reduce (forecast £4.2m underspend) and is £10.6m below 2023/24 expenditure to date and forecast is £16.8m below 2023/24 full year actual expenditure.

Consultants' agency expenditure still remains higher than plans (forecast £4.2m overspend) and is £0.3m higher than 2023/24 for the same period. The forecast, however, is expected to be £5m below 2023/24 full year actual expenditure.

Summary level financial position is shown at Table 7.



1. **ICB Cash Position**

The ICB currently has a cash resource allocation of £4,087.4m for the 12 months to 31st March 2025. For the 7 months to the end of October the ICB has used £2,443.0m (59.7%). Working on a straight-line basis for cash use, the ICB would be expected to have used no more than £2,384.3m (58.3%), so usage is above this by £58.7m (or 1.4% of the full cash resource allocation).



1. **System BPPC Performance**

Table 9 shows the Better Payment Practice Code (BPPC) performance at provider and ICB level at month 7. Under the BPPC, NHS providers paid 91% of total bills by value and by volume against the target of 95%. The ICB achieved above the 95% NHSE national target across both metrics.



1. **Recommendations**

The Board is asked to:

* Note the month 7 system financial position for 2024/25.
* Note the mitigating actions being pursued in year to deliver 2024/25 financial plan.

**Appendix 1 - Efficiency**





**Appendix 2 – Capital**

