

SUMMARY REPORT

Meeting Date:	4 th July 2023
Agenda Item:	
Enclosure Number:	

Meeting:	Manx Care Public Board Meeting		
Report Title:	Finance Director's Report		
Authors:	Jackie Lawless		
Accountable Director:	Jackie Lawless		
Other meetings presented to or previously agreed at:	Committee	Date Reviewed	Key Points/Recommendation from that Committee

Summary of key points in report

2022/23 Year End Position

A draft year end position was presented to April's Board, but this has now been finalised as an £8.8m overspend against budget (below).

FINANCIAL SUMMARY - 31 MARCH 2023				
	£m	£m	£m	£m
	Actual	Budget	Var (£)	Var (%)
TOTAL - OPERATIONAL	291,624	282,858	(8,766)	(3%)
Income	(14,798)	(15,292)	(494)	(3%)
Employee Costs	182,404	177,834	(4,571)	(3%)
Other Costs	124,018	120,316	(3,701)	(3%)

It was disappointing not to achieve our target of a balanced budget in the year. However, the deficit was reduced from £9.9m (4%) last year to £8.8m (3%) this year. In light of the significant financial pressures felt during 22/23 this is still significant progress towards our aim of a financially sustainable system.

CIP savings totalling £9.9m (3.5%) were delivered during the year, of which £7.3m were cash out savings. This was a significant overperformance against the CIP target of £4.3m (1.5%) but mainly served to hold the funding pressures in check rather than significantly reduce our overspend.

Treasury also allocated an additional £6.5m of funding which is held in Reserve by the DHSC. During the year, we used this fund to cover the costs of TT/MGP, winter pressures, high cost patients and care packages and the increasing costs of Section 115 placements. These costs are not included in the spend figures above but totalled £5.3m

During 2022/23, pay awards of 6% were proposed and implemented but have yet to be agreed. These were above the amount budgeted for pay awards in the year, and represent an additional cost of £8.9m. These costs were funded separately by Treasury and so are not included in the spend figures above.

Also, during 22/23 Tynwald approved funding of £18.3m to support Restoration and Recovery activity in reducing waiting times in key areas such as Cataracts, Hip & Knee Replacements and Psychological Therapies for young people. £9.9m was spent in 22/23 with the remainder due to be spent during 23/24. These costs are not included in the spend figures above, as they are funded separately.

Staff costs continued to be the main area of pressure due to the continued high vacancy rates across Manx Care during the year, which are largely covered by agency staff. The current market for agency staff is very competitive and we've seen prices rise during the year by up to 15%. The CIP savings on workforce in year totalled £2.2m which helped offset some of this cost and are largely as a result of widespread recruitment efforts, including our international nurse recruitment campaign, review of on call and rota arrangements, renegotiation of rates with agencies and increased controls over the use of agency staff to minimise their use, where possible.

Another area of cost pressure was drugs costs. During the year, drugs costs rose by up to 24% in some areas. However, this was largely contained by the medicines optimisation CIP work which generated savings totalling £1.6m.

Continued inflationary pressures saw increases in the costs of contracted services and supplies, including the rising costs of complex care packages. These were mitigated through a combination of careful contract management and improved procurement activity. We used the DHSC Reserve fund to offset some of the costs of complex care packages but also generated CIP savings of £1.2m.

Our Tertiary Care costs increased by £4m compared to last year. These costs were partly offset by using the DHSC Reserve fund but also by careful review and management of our contracts which generated CIP savings of £1.4m.

As well as the cash out savings, Manx Care also delivered efficiency savings worth £2.6m. While these didn't reduce our spend they allowed us to do more with what we have by reducing lengths of stay, improving our theatre efficiency and introducing both a frailty and an ambulatory care unit which allowed us to provide a better standard of care to more patients at minimal extra cost.

Current Forecast

The current projected position (as per the May Management Accounts) is a £14.9m overspend. This forecast reflects expected reductions in employee costs as a result of recruitment activity and assumes achievement of the CIP target of £4.5m. The 23/24 CIP Plan is currently approx. £11m and as these savings are realised the forecast will be adjusted accordingly. However, if the CIP Plan delivers in its entirety there will still be a shortfall of approx. £9m.

A detailed financial planning exercise is underway to identify the additional mitigations / actions needed over and above the CIP to reach financial balance this year. This may well include changes to service delivery levels and will need to be carefully risk assessed before implementing.

The projected spend for 23/24 is currently £317.9m which is a £26m increase on 22/23 spend, broken down as follows

	£m
2022/23 FINAL SPEND	291.6
Pay Increase 22/23 @6%	11
Pay Award 23/24 @2%	3.2
Non-Pay Inflation 5%	2.5
Contract Uplifts	5.8
Income Uplift	(0.8)
Prior Year Business Cases	3.1
Additional Safe Staffing	1.5
Projected 23/24 SPEND	317.9
Increase	26

Many of these increases are largely outside the control of Manx Care and reflect inflationary pressures on pay, contract services and supplies. The £3.1m relating to prior year business cases reflects additional pressure this year due to the fact that some cases implemented last year such as ED Safe Staffing, Safeguarding and Frailty only incurred part year costs, but will incur full year costs from this year on. It also includes costs associated with Eye Care Transformation, Vaccinations, Safeguarding, CFS/ME/Long Covid and Diabetes Services. The additional safe staffing relates to additional nursing, social care and midwifery costs to respond to core safety and compliance requirements.

Funding for 23/24 has increased by £20m from 22/23, broken down as follows:

	£m
2022/23 BUDGET	282.9
Flu Vaccination Funding	(0.6)
Income Inflation @ 5%	(0.8)
Pay Inflation @ 6%	10.7
Non-Pay Inflation @ 5%	5.9
Growth @ 3.03%	8.5
CIP @ 1.5%	(4.2)
Treasury Adj	0.6
2023/24 BUDGET	303.0
Increase	20

Spend is projected to rise faster than funding due to continuing pressures on staff costs and above inflationary increases in drugs and contract costs. The additional funding of £20m partially addresses the £9m overspend from 22/23 leaving less to cover funding pressures in year. Treasury have also instructed all government departments to plan for up to 6% pay awards during 23/24 – however these are not funded and so represent an additional cost pressure of £7.2m. Should these be implemented, then the overspend position would be £22.2m.

	£m
Spend Increase in 23/24	26
Less: Budget Increase	(20)
Funding Gap	6
Add: 22/23 Deficit	9
Operational Deficit 23/24	15
Additional Pay 23/24	7.2
Total Projected Deficit	22.2

CIP

The 23/24 CIP Plan is under development and will aim to deliver approx. £11m savings which will be well in excess of our target of £4.5m. Significant work has been undertaken during the early months of the year to transition to a new CIP Reporting tool to allow much greater oversight and management of the growing portfolio. Resource has been prioritised on this rather than reporting savings delivered so far this year. We expect to return to normal reporting cycles and be able to report savings delivered from June.

24/25 Funding

Financial Plans for 24/25 are expected to be submitted to Treasury by 4th August. The planning assumptions provided by Treasury are as follows:

- CPI increases – 2% for income, pay costs and non-pay costs
- Health care growth factor – 3.03%
- CIP savings – 2%

Based on these assumptions, the likely funding envelope for 24/25 is likely to be approx. £310m. This falls far short of the projected spend for this year and only assumes 2% for inflationary uplifts despite expectations that inflation will continue to be higher than this. It also ignores the likely impact of any pay awards above what is budgeted for in this year. Additionally, the CIP target is due to increase from 1.5% to 2%.

This has clear implications in terms of Manx Care's ability to address its core priorities around safety, compliance and responding to the CQC as well as continually rising demand. It also calls into question the ability of Manx Care to fund future requirements arising from the Transformation project. Detailed work will need to be undertaken at pace and in close collaboration with the DHSC to understand the changes to service delivery required in order to meet this budgetary target.

It's clear that the financial outlook for Manx Care will continue to be exceedingly challenging not only this year but into next year and beyond.

Recommendation for the Board to consider:

Consider for Action		Approval		Assurance	X	Information	X
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