



North East and North Cumbria

REPORT CLASSIFICATION	✓	CATEGORY OF PAPER	✓
Official	✓	Proposes specific action	
Official: Sensitive Commercial		Provides assurance	✓
Official: Sensitive Personal		For information only	

NORTH EAST & NORTH CUMBRIA ICB BOARD MEETING

31 January 2023

Report Title:

ICB Finance Report

Purpose of report

To provide the Board with an update on the financial performance of the North East and North Cumbria Integrated Care Board (NENC ICB) and NENC Integrated Care System (ICS) in the financial year 2022/23 for the period to 30 November 2022 ('month 8').

Key points

The full financial report for the period was reviewed in detail by the Finance, Performance and Investment Committee at its meeting on 5th January 2023. The report presented here provides a high level summary of the position.

ICB Revenue Position:

As at 30th November 2022 the ICB is reporting a forecast deficit of £5.6m, prior to expected receipt of additional funding from NHS England (NHSE) of £11.2m to cover costs associated with the Primary Care Additional Roles Reimbursement Scheme (ARRS).

Once this funding is received, the ICB will report a forecast surplus of £5.7m against a planned surplus of £2.6m. The additional £3m surplus will offset a forecast deficit across relevant NHS providers, allowing a balanced financial position to be maintained across the ICS.

Significant financial pressures are being seen in independent sector (IS) acute activity linked to elective recovery with a forecast overspend of almost £19m on IS contracts. A significant increase in forecasts has been seen in month. The expectation at planning stage was that overspending on IS would be "reclaimable" from NHSE as long as the NENC ICS was over target on performance or that the risk would be managed collectively across the ICS (via under-performance within relevant NHS Providers). At present the ICB has held back on implementing this so as to assist delivery of the NHS Provider Foundation Trust (FT) level financial targets. Significant pressures are also evident in prescribing linked to the impact of price concessions (£5.7m impact year to date and forecast impact of £12.3m).

Item: 7.3

Pressures are also being reported on continuing healthcare and section 117 packages of care. These pressures are currently being offset through underspends on other budgets, non-recurring benefits and use of programme reserves.

The significant forecast overspend on primary care delegated budgets largely relates to the additional costs associated with the ARRS. As part of national funding arrangements in this area only a portion of this funding is included within ICB baseline budgets, with the remainder to be drawn down from NHSE only once baseline budgets are exceeded. Total additional funding of £11.2m is expected based on current forecast ARRS costs.

At this stage of the year there is always limited data available for the majority of commissioned services with a time lag of two months in respect of prescribing data.

ICS Revenue Position:

From an ICS perspective the forecast out-turn is a surplus against plan of £37k, as shown in Table 2. As reported previously, one of the FTs reported a deterioration in forecast out-turn of £5.6m (from surplus to break-even) earlier in the year. This forecast deficit has been offset by a combination of additional surplus in the ICB as reported above of £3m and another FT provider improving its forecast out-turn by £2.6m.

ICB Running Costs:

A forecast underspend is expected on ICB running costs, largely due to the impact of vacancies in the current year. This remains a potential risk area on a recurring basis if vacancies are filled.

ICS Capital Position:

There is a potential forecast pressure of almost £14m on capital spending plans across the ICS in comparison to the confirmed ICS capital departmental expenditure limit (CDEL) allocation. This is a significant reduction on the forecast pressure of £26m reported previously. Work continues to review relevant capital plans with individual provider trusts and discussions continue with NHSE in respect of additional capital funding allocation for the year.

2023/24 Planning:

Work is underway across the ICS to understand underlying expenditure run rates across both the ICB and Provider FTs. The 2022/23 financial position across the ICS includes significant non-recurring benefits, both in respect of balance sheet movements and non-recurring delivery of efficiency programmes for example. The non recurrent nature of these savings will present a significant financial challenge to develop a balanced plan for 2023/24. Initial planning guidance published by NHS England and draft financial allocations are currently being reviewed to understand implications for the ICS, however initial estimates indicate a significant recurring financial deficit across the ICS in both the ICB and the FT Provider side.

Risks and issues

Whilst the ICB has reported a forecast in line with plan, a number of potential financial risks have been identified, totaling £16m for the ICB.

Key risks identified at this stage include:

- Risk that prescribing price concessions continue at current exceptionally high levels until the end of the financial year,
- Risk that growth in continuing healthcare (CHC) expenditure is above planned levels, and

Item: 7.3

- Risk that the growth in independent sector activity and therefore cost is unfunded through the national Elective Services Recovery Fund due to missed system targets.

Mitigations have been identified to manage the majority of potential ICB risks, leaving an unmitigated potential risk of £5m linked to elective recovery fund activity and prescribing costs. The unmitigated risk amounts to less than 0.1% of total ICB funding and will continue to be reviewed and managed as far as possible.

In addition to ICB specific financial risks there are a number of potential risks to the wider ICS financial position within Foundation Trusts. Unmitigated financial risk is assessed at £30m at Month 8, a reduction from the previous month. This includes potential financial pressures associated with the pay award of £20m alongside risks relating to general cost pressures and delivery of cost savings in a number of FTs totaling £10m. Work is continuing across the system to conduct a deeper dive exercise to review potential pressures, risks and identify appropriate mitigations where possible as well as seeking additional funding for the ICS.

Please see Table 4 for more information.

Assurances

ICB finance teams will monitor and report monthly on the risks noted above. This will include actions being taken to mitigate these risks.

The ICB Executive Director of Finance meets monthly with the ICS Directors of Finance to coordinate the review and management of the ICS finance position.

The financial position of both the ICB and the wider ICS will continue to be reviewed in detail on a monthly basis by the Finance, Investment and Performance Committee.

Recommendation/action required

The Board is asked to:

- note the latest year to date and forecast financial position for 2022/23 and take assurance that overall performance is in line with plan,
- note there are a number of potential financial risks across the ICS still to be mitigated.

Acronyms and abbreviations explained

ARRS – Primary Care Networks Additional Roles Reimbursement Scheme
 BPPC – Better Payment Practice Code
 CHC – Continuing Healthcare
 ERF – Elective Recovery Fund
 FT – NHS Provider Foundation Trust
 ISFE – Integrated Single Financial Environment (financial ledger system)
 MHIS – Mental Health Investment Standard
 QIPP – Quality, Innovation, Productivity and Prevention

Sponsor/approving director	D Chandler, Interim Executive Director of Finance
Report author	R Henderson, Director of Finance (Corporate) A Thompson, Senior Finance Manager

Item: 7.3

Link to ICB corporate aims (please tick all that apply)						
CA1: Improve outcomes in population health and healthcare						
CA2: tackle inequalities in outcomes, experience and access						
CA3: Enhance productivity and value for money						✓
CA4: Help the NHS support broader social and economic development						
Relevant legal/statutory issues						
Health and Care Act 2022						
Any potential/actual conflicts of interest associated with the paper? (please tick)	Yes		No	✓	N/A	
If yes, please specify						
Equality analysis completed (please tick)	Yes		No		N/A	✓
If there is an expected impact on patient outcomes and/or experience, has a quality impact assessment been undertaken? (please tick)	Yes		No		N/A	✓
Key implications						
Are additional resources required?	N/A					
Has there been/does there need to be appropriate clinical involvement?	N/A					
Has there been/does there need to be any patient and public involvement?	N/A					
Has there been/does there need to be partner and/or other stakeholder engagement?	Yes, engagement within the ICB and the wider ICS on financial position.					