

Item: 13

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

BOARD

1 OCTOBER 2024

Report Title:

NENC ICB and ICS Finance Report – M4 2024/25

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 2024/25 for the four months to 31 July 2024.

Key points

Month 4 2024/25 Financial Position update:

ICS Revenue Position:

As at 31 July 2024, the ICS is reporting a year to date deficit of £38.67m compared to a planned deficit of £36.95m. The adverse variance of £1.7m reflects pressures in provider positions, in particular costs associated with industrial action, drugs and devices, escalation beds and under-delivery of efficiency plans. This is an improvement on the month 3 position which showed an adverse year to date variance of £3.8m.

This is expected to be managed back in line with plan by the end of the year, hence the forecast ICS position remains a deficit of £49.9m.

Across the ICS, total efficiencies of £132.06m have been delivered in the four months, slightly below plan of £134.98m. It should be noted that recurrent efficiencies for the four month period are £7.7m below plan, which is being offset by non-recurring savings.

ICB Revenue Position:

As at 31 July 2024 the ICB is reporting a year to date surplus of £18.23m and a forecast surplus of £53.6m in line with plan.

At this stage of the year there is always very limited data available for the majority of commissioned services, with a time lag of two months in respect of prescribing data and other activity based contract information.

ICB Running Costs:

The ICB is reporting an underspend position against running cost budgets of £1.58m year to date and forecast underspend of £2.9m, mainly due to vacancies. An underspend on running cost budgets was

expected in the current year as the full reduction in running cost allowance does not materialise until 2025/26. The underspend helps to mitigate pressures on programme budgets.

ICS Capital:

ICS capital spending forecasts are currently in line with plan however this includes an allowable 5% 'over-programming' hence the forecast is £9.11m in excess of the ICS capital allocation. This and other risk and pressures in this area will need to be managed over the remainder of the year.

Workforce:

During planning stage there was considerable focus on historic workforce growth and having an affordable and sustainable workforce within the ICS. Additional information has been included this month at Table 6 providing an overview of the workforce position across the ICS both in terms of spend and whole time equivalent (WTE) figures. This shows a reduction in bank and agency staff but an overall increase in staff (cost and numbers) compared to the previous 12 months, although this has reduced since the start of the year. This is actively reviewed in further detail via the ICS workforce group which leads on this and the ICS System Recovery Board.

Medium Term Financial Plan update:

Attached at appendix 1 is the latest escalation and assurance report from the System Recovery Board providing a summary of the latest position in respect of the medium term financial plan (MTFP) and an overview of delivery against key workstreams. A refresh of the MTFP is currently being undertaken for an initial submission to NHSE by the end of September 2024.

The principles of the refresh are an extension of the model prepared in 2023/24 with the ability to see a position by each provider (in 2023/24 these were summarised) and building in the ability to track the actual position in 2024/25 so that we can see underlying and in year position and any movements. Given specific circumstances for trusts in deficit this will allow for these to be built in with an audit trail of adjustments. There is a need to confirm the deficit payback requirements for the system.

We are keen that the model is owned by the ICS so there is a cross-organisational steering group being established which will be used to facilitate shared assumptions and agreement. The model and the financial recovery plan, that is intended to be detailed over the period of the model, will be drafted when submitted for the end of September but it is planned will be taken through the FPIC of the ICB and Board of all organisations during October.

The model will show the do nothing position for the ICS and then the level of efficiencies needed for a realistic recovery but also those needed for a compliant plan for 25-26 onwards. As the new detail in the plan will allow for us to look at the projected mandate split and specific organisation items it should be used as the basis for the system annual planning for 25/26 which we believe is to be on a shortened timescale to 24/25.

Financial grip and control review:

Delivery of this year's financial plan will be challenging. A number of systems at high risk of overspend have agreed with NHSE to utilise external support to urgently review the financial position of their system. This will focus on actions that can be taken to immediately reduce the rate of expenditure and to ensure that the financial plan for the year is delivered. This proactive support will cover controls over areas such as workforce, and will also look carefully at efficiency plans to make sure that they are deliverable, or to take action where this is not the case.

Whilst the NENC ICS is not one of the systems above, given the collective financial challenges and risks we face as a system, and following encouragement from NHSE, we are proposing to undertake a similar independent review to that being taken forward in other systems. This will dovetail with work we had collectively agreed to take around grip and control measures following the Chairs and Chief Executives summit in April.

A steering group has been established including ICB and FT lead finance officers, reporting in to the Directors of Finance Forum, to develop the scope of the work. The proposed approach involves the use

of internal audit (predominantly AuditOne) to undertake the review of grip and control measures, including an assessment of the effectiveness of controls and sharing of best practice. This will focus on controls around workforce (including vacancy control, agency spend, rostering), non-pay spend and governance arrangements.

An external provider will be appointed for those areas where internal audit would not have the relevant skills and experience. That work will focus on a review of cost improvement programmes, together with identification of weaknesses in 2024/25 financial plans and review of governance around delivery of financial plans.

The work will need to be completed at pace and is expected to identify a clear set of recommendations and actions at both individual organisation and system level to support both the current year and medium term.

Risks and issues

A number of potential financial risks were identified within the financial plan, both for the ICB and wider ICS, totalling over £417m. Net unmitigated risk in the plan amounted to £161m across the system. This largely relates to the delivery of required efficiency plans which are higher than those delivered in 2023/24.

Work continues to review the position across the system and seek to identify further mitigations. Work is also continuing on updating the medium term financial plan across the ICS and delivery of related financial recovery plans and programmes via the System Recovery Board working closely with the Provider Collaborative.

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 Chief Finance Officer meets monthly with the ICS Directors of Finance to review 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 and the ICB Executive Committee.

The System Recovery Board will continue to oversee the delivery of the agreed financial recovery programme and receive assurance on the delivery of organisational efficiency plans. A dedicated ICS transformation director supporting financial recovery has also recently been appointed to support the delivery of the efficiency programme across the system.

Recommendation/action required

The Board is asked to:

- note the latest year to date and forecast financial position for 2024/25,
- note there are a number of financial risks across the system still to be managed
- note the escalation and assurance report from the System Recovery Board for information.

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

NHSE – NHS England

QIPP – Quality, Innovation, Productivity and Prevention

POD – Pharmacy, Ophthalmic and Dental

YTD – Year to Date

Executive Committee Approval	10/09/24					
Sponsor/approving executive director	D Chandler, Chief Finance Officer					
Date approved by executive director	04/09/24					
Report author	R Henderson, Director of Finance (Corporate) A Thompson, Senior Finance Manager					
Link to ICP strategy priorities (please tick all that apply)						
Longer and Healthier Lives						✓
Fairer Outcomes for All						✓
Better Health and Care Services						✓
Giving Children and Young People the Best Start in Life						✓
Relevant legal/statutory issues						
Note any relevant Acts, regulations, national guidelines etc						
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					

Version Control

Version	Date	Author	Update comments
1.0	02/09/24	Richard Henderson	Updated from Exec version
2.0	04/09/24	David Chandler	Reviewed and approved