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

BOARD MEETING	
1 July 2022	
Report Title:	ICB Budgets 2022/23
Purpose of report	
To provide the Board with the high-level commissioning budgets for North East and North Cumbria Integrated Care Board (NENC ICB) for the financial year 2022-23 and reporting period July 2022 – March 2023.	
Key points	
The ICB Board are asked to approve the July 2022 – March 2023 budget under their duty as statutory commissioner for this period. These budgets are detailed in appendix 2 and the key principles and key components that supported the development of the budgets are set out in section 3.	
Risks and issues	
Key financial risks associated with this budget proposal are noted in section 3.6 of this report.	
Key risks documented include: <ul style="list-style-type: none"> • Risk that the growth in both prescribing and continuing healthcare (CHC) expenditure is above planned levels, and • Risk that the growth in independent sector activity and therefore cost is unfunded through the Elective Services Recovery Fund due to missed system targets. 	
Assurances	
ICB finance teams will monitor and report monthly on the risks noted above. This will include actions being taken to mitigate these risks.	
Recommendation/Action Required	
The Board is asked to approve the high-level commissioning budgets for the period of July 2022 – March 2023.	
Sponsor/approving director	J Connolly, Executive Director of Finance (Designate)

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Report author	E Forster, Head of Finance, North Tyneside CCG					
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.					

ICB Budgets 2022/23

1. Introduction

This report presents the high-level commissioning budgets for North East and North Cumbria Integrated Care Board (NENC ICB) for the financial year 2022-23 and the reporting period July 2022 – March 2023.

Under the standing financial instructions of NENC ICB it is requirement for the planned financial budgets to be approved by the Board.

2. Background

Each financial year, supported by national guidance the NHS organisations produce an annual financial plan. During the pandemic the NHS financial framework moved toward total system financial planning. With the establishment of Integrated Care Systems (ICSs) this model of planning continues. The annual commissioning budgets are a component part of the overall system plan.

The NENC ICS is established from 1 July 2022 and includes the following organisations.

Table 1:

Commissioners
North East and North Cumbria Integrated Care Board (NENC ICB)
Providers
County Durham & Darlington FT
Cumbria, Northumberland Tyne and Wear MH FT
Gateshead Health FT
Newcastle upon Tyne Hospitals FT
North Cumbria Integrated Care FT
North East Ambulance Service
North Tees & Hartlepool FT
Northumbria Healthcare FT
South Tees FT
South Tyneside & Sunderland FT
Tees, Esk & Wear Valley MH FT

NENC ICB replaces existing CCGs as statutory commissioners and is therefore responsible for the financial planning and corresponding budgets from 1 July 2022.

Despite the change in statutory commissioner mid-year, planning guidance and allocations were published covering the period April 2022 – March 2023. Systems

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were therefore required by NHS England to plan on this basis, recognising the period April to June 2022 would be a 3-month financial plan for the 8 existing CCGs.

2022/23 draft planning guidance and ICB allocations were issued on 24 December 2021, with the initial submission timetable as follows:

Initial Submission:

- Draft Submission – 17 March 2022
- Final Submission – 28 April 2022

CCG finance teams prepared the initial draft of the 2022/23 commissioning plan at place using the published guidance and local knowledge. Each plan was then consolidated to one NENC ICB expenditure plan. Each place-based plan was subject to peer review and where necessary, adjustments were made. Some of the necessary adjustments included levelling off growth and efficiency assumptions. Following the peer review and adjustments, NENC ICB was able to prepare a breakeven plan.

The wider NENC ICS financial plan submitted 28 April 2022, showed an overall deficit of £122m. Whilst the ICB submitted a breakeven plan, the collective plan for the partner NHS organisations within wider system declared a £122m deficit. A large proportion of this deficit has been attributed to exceptional inflationary pressures that have arisen since the publication of the allocations and planning guidance in December 2021.

The financial position in the NENC region was representative of the overall national picture and subsequently additional allocations were announced specifically to manage the pressures being cited across the NHS and the final submission date was extended.

Subsequent Submission:

- Final Submission – 20 June 2022

The total value of the additional allocation received is £89.3m, £5.3m of which was identified as funding to support NHSE/I commissioned services within the NENC system. One caveat to accessing this additional funding was that the system submits a balanced plan.

Key officers from the ICB and partner NHS organisations worked collectively to identify options for closing the financial gap. The final NENC ICS financial plan was submitted 20 June 2022, showing an overall breakeven position across the NENC ICS, with an improvement on the ICB plan to a £2.6m surplus.

The focus of this paper is the ICB budgets embedded within the overall NENC ICS plan, the process taken to establish these budgets and the key components of them.

For reference, Appendix 1 shows a summary of the overall NENC ICS plan submitted on 20 June 2022.

3. **2022/23 Budget**

In this section the paper sets of the key components of the 2022/23 ICB budgets embedded within the overall ICS plan set out in Appendix 1.

3.1 Financial planning principles

Many of the principles set out in the 2022/23 planning guidance reflected the system ways of working adopted in the preceding 2 years. Key components of which were as follows:

- National block contract arrangement with NHS providers would continue.
- National adjustments to CCG published allocations remain part of the allocation calculation model.
- The ICB would continue to receive system top up funding, albeit with some changes e.g., a reduction in funding to recognise the expected recovery of non-NHS income by NHS providers.
- The ICB will receive some Covid-19 funding although this reduced to 40% of 21/22 levels.
- Continued focus on the recovery of elective services remains a high priority and a separate Elective Services Recovery Fund (ESFR) has been made available for this.
- Service Development Funding is available to continue the work set out in the Long-Term Plan.

A key change from 21/22 is the cessation of the centralised Hospital Discharge Programme (HDP). ICB allocations were adjusted to account for the expected increases in Continuing Health Care (CHC) costs as a result.

3.2 Financial Allocations

NENC Commissioners received the following allocation to discharge its duties in the financial year 2022/23:

Table 2

ICB Allocation split by categories	Total:		Of which is:	
	Value		Agreed	Indicative
	Plan Year Ending 31/03/2023 £'000	Plan Year Ending 31/03/2023 £'000	Plan Year Ending 31/03/2023 £'000	Plan Year Ending 31/03/2023 £'000
Recurrent				
ICB Programme Allocation	5,471,223	5,471,223	-	-
Ockenden Funding	3,989	3,989	-	-
Primary Medical Care Services	526,849	526,849	-	-
Service Development Fund (SDF)	-	-	-	-
Running Costs	57,406	57,406	-	-
ICB Programme Allocation – Additional Funding	60,359	60,359	-	-
Total ICB recurrent Allocation	6,119,826	6,119,826		
Non-Recurrent				
Health Inequalities Funding	13,604	13,604	-	-
Elective Services Recovery Funding	105,916	105,916	-	-
COVID Funding	126,483	126,483	-	-
Service Development Fund (SDF)	123,405	81,495	41,910	
ICB Programme Allocation – Additional Funding	22,940	22,940	-	-
Total ICB Non-Recurrent Allocation	392,348	350,438	41,910	
Total ICB Allocations	6,512,174	6,470,264	41,910	
	-	-	-	-
Of which relates to CCG spend April - June 2022	1,581,917	1,581,917		
Total for NENC ICB (July 2022 - March 2023)	4,930,257	4,888,347	41,910	

3.3 Baseline Expenditure

To ensure that there is a common baseline from which to build the plan and corresponding budgets from, the Month 9 2021/22 forecast outturn was the starting point for all CCG finance teams. Adjustments were then made to reflect known developments and pressures, national growth assumptions and guidance.

3.4 Growth and Efficiency Assumptions

Table 3 details the recommended growth and efficiency assumptions included in the national planning guidance. These are the key assumptions embedded within the ICB financial plan and baseline budgets.

Table 3

	National Growth				
	Growth %	Additional %	Efficiency %	Activity %	TOTAL %
NHS Providers (excluding MH)	2.80%	0.70%	-1.10%	2.31%	4.71%
MH NHS Providers	2.80%	0.70%	-1.10%	0.00%	2.40%
Acute Non NHS contracts	2.80%	0.70%	-1.10%	2.31%	4.71%
Community Non NHS contracts	2.80%	0.70%	-1.10%	0.00%	2.40%
MH Non NHS contracts	2.80%	0.70%	-1.10%	0.00%	2.40%
MHIS	4.35%	0.91%	0.00%	0.00%	5.26%
BCF	5.30%	0.36%	0.00%	0.00%	5.66%
CHC	4.80%	0.00%	0.00%	2.30%	7.10%*
FNC	0.00%	11.50%	0.00%	0.00%	11.50%*
Prescribing	0.00%	0.00%	0.00%	2.10%	2.10%*
Primary Care	2.80%	0.70%	-1.10%	0.00%	2.40%
Primary Care Delegated	6.00%	0.00%	0.00%	0.00%	6.00%
Other	2.80%	0.70%	-1.10%	0.00%	2.40%
Running Costs	0.74%	0.00%	0.00%	0.00%	0.74%

*Some local variation was required within the ICB due to external pressures in these areas.

3.5 ICB Efficiency Plans

Table 4 on the following page sets out the efficiency targets within the ICB plan. Due to the national policy for NHS block arrangements, Mental Health Investment Standard (MHIS) and other ringfenced budgets, the main areas where commissioners could make savings are CHC and Prescribing.

Table 4

Efficiency programme area	£'000
Demand Management (referrals)	500
Evidence based interventions	2,650
Pathway transformation	5,346
Continuing Healthcare - cost per case review	20,225
Primary Care Prescribing	13,480
Transforming community-based primary care	2,796
Non-NHS Procurement	1,462
Estates / NHS property rationalisation	456
Other	1,518
Total Efficiencies - by scheme	48,433

The essential national living wage increases in the care sector and the national review to understand the cost of care adds additional challenge to delivering efficiencies in CHC.

The horizon scanning document produced by the NECS Medicines Optimisation (MO) team identified pressures on the prescribing budgets for 2022/23 suggesting cost growth is likely to exceed the 2.1% proposed in the national planning guidance. The view locally is that actual growth may be more in the region of 5%. This, coupled with strong delivery of prescribing efficiencies across the region in previous years makes it particularly challenging to continue to drive out additional savings from this budget.

These have been identified as risks to the delivery of the ICB financial plan. These risks are currently expected to be mitigated on a non-recurrent basis within this financial period.

3.6 Financial Risks and Mitigations

The table below shows all the commissioning financial risks identified in the ICS plan.

Table 5

Risks & Mitigations	
	£'000
(Risks/(Offsets to benefits):	
Prescribing and CHC Risk	(21,695)
Independent Sector and ESFR Risk	(18,187)
Mitigations/benefits:	0
Additional non recurrent measures and use of contingency	23,388
Additional non recurrent efficiencies	6,933
Receipt of additional ESFR income	9,561
NET RISK	0

Other than the risks already mentioned in respect to CHC and prescribing the other notable risk facing the ICB is linked to the ESFR and the increasing levels of Independent Sector (IS) activity. The ICS plans have been developed on the principle that the national ESFR targets will be achieved. This would mean additional national

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funding would be available to pay for all the additional IS activity currently being incurred by the ICB. The risk will emerge if the overall system does not achieve the ESFR targets meaning no further funding will be made available to fund the extra IS activity.

To mitigate some of this risk facing the ICB funding could be recovered underachieving NHS provider contracts, however due to ESFR rules the adjustment would be at a lower rate than that charged by the IS providers leaving the ICB with a net risk.

The NENC providers and commissioners are working closely with the IS providers to deliver the ESFR targets to avoid this risk materialising.

3.7 ICB 2022/23 Budgets

Appendix 2 sets out the proposed high level commissioning plan and baseline budgets for the financial year.

The table below shows all the commissioning financial risks identified in the ICS plan.

4. Recommendations

The NENC ICB members are asked to approve the commissioning budgets for the period July 2022 – March 2023.

Name of Author: E Forster, Head of Finance, Newcastle Gateshead CCG

Name of Sponsoring Director: J Connolly, Executive Director of Finance (Designate)

Date: 23 June 2022

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Appendix 1

ICB Financial Position 2022/23	NENC Plan Year Ending 31/03/2023 £'000
ICB Allocation	6,512,174
ICB Expenditure	
Acute Service Expenditure	(3,295,769)
Mental Health Service Expenditure	(787,004)
Community Health Service Expenditure	(612,197)
Continuing Care Service Expenditure	(397,454)
Primary Care Service Expenditure	(683,303)
Other Programme Services	(101,477)
Other Commissioned Services	(2,966)
Reserves / Contingencies	(34,607)
Delegated Primary Care Commissioning	(537,533)
Running Costs	(57,231)
Net impact of elective services recovery funding	0
Total ICB Expenditure	(6,509,541)
Total ICB Net Position Surplus/(Deficit)	2,633

Provider Financial Performance 2022/23	NENC PLAN Year Ending 31/03/2023 £'000
Provider Adjusted Financial Performance	
Income	6,426,072
Pay	(4,131,752)
Non-Pay	(2,158,425)
Non operating income and expenditure	(130,682)
Other adjustments to get to adjusted financial performance	(5,191)
Less gains on disposal	(2,655)
Total Provider Adjusted Financial Performance Surplus/(Deficit)	(2,633)

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Appendix 2

ICB Financial Plan and Commissioning Budgets 2022/23

	Plan Year Ending 31/03/2023 £'000	CCG Plans Apr - Jun 2022/23 £'000	ICB Plan Jul - Mar 2022/23 £'000
ICB Allocation	6,512,174	1,585,378	4,926,796
ICB Expenditure			
Acute Service Expenditure	(3,295,769)	(798,575)	(2,497,194)
Mental Health Service Expenditure	(787,004)	(192,980)	(594,024)
Community Health Service Expenditure	(612,197)	(151,751)	(460,446)
Continuing Care Service Expenditure	(397,454)	(99,368)	(298,086)
Primary Care Service Expenditure	(683,303)	(166,397)	(516,906)
Other Programme Services	(101,477)	(22,783)	(78,694)
Other Commissioned Services	(2,966)	(697)	(2,269)
Reserves / Contingencies	(34,607)	(5,431)	(29,176)
Delegated Primary Care Commissioning	(537,533)	(134,383)	(403,150)
Delegated Specialised Commissioning		0	0
Delegated Public Health Commissioning		0	0
Delegated Health & Justice Commissioning		0	0
Running Costs	(57,231)	(14,352)	(42,879)
Net impact of elective services recovery funding	0	0	0
Total ICB Expenditure	(6,509,541)	(1,586,716)	(4,922,825)
Total ICB Net Position Surplus/(Deficit)	2,633	(1,338)	3,971