

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

BOARD

26 September 2023

Report Title:	NENC ICB and ICS Finance Report – Month 4
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 2023/24 for the period to 31 July 2023.	
Key points	
<p>The full financial report for the period was reviewed in detail by the Finance, Performance and Investment Committee (FPIC) at its meeting on 7th September 2023. The report presented here provides a high-level summary of the position.</p> <p>ICS Revenue Position:</p> <p>As at 31 July 2023, the ICS is reporting an overall year to date deficit of £48.1m compared to a planned deficit of £41.8m, an adverse variance of £6.2m, as shown in Table 1.</p> <p>The £6.2m year to date overspend compared to plan includes a £4.3m pressure in provider positions relating to costs associated with strike action, Microsoft licences and pay award pressures. The ICB is reporting a year to date overspend compared to plan of £1.95m as explained below.</p> <p>This year to date variance is expected to be brought back in line with plan by the end of the year, hence the forecast ICS position for the year is a deficit of £49.9m in line with plan.</p> <p>As highlighted within the final 2023/24 financial plan, there are significant potential financial risks to delivering this position. See risks and issues section below.</p> <p>ICB Revenue Position:</p> <p>As at 31 July 2023 the ICB is reporting a year to date surplus of £8.85m, an adverse variance to plan of £1.95m relating to growth in prescribing and continuing healthcare costs, with a forecast surplus for the year of £32.4m in line with plan.</p>	

A number of potential financial risks were identified within the financial plan. Based on initial information available at this early stage of the year, there are unmitigated net risks estimated at £21m in total which will potentially impact the ICB. This is a small improvement on the net risk position reported last month (£26m) reflecting the impact of additional financial controls put in place within the ICB and further mitigations identified.

The unmitigated risk portion includes risks around the delivery of stretch efficiencies, growth in continuing healthcare costs and prescribing costs.

This will continue to be reviewed as further information on current year costs becomes available. As identified last month, additional financial controls have been implemented around discretionary spend and work continues to identify potential additional mitigations.

ICB Running Costs:

The ICB is reporting a breakeven position against running cost budgets. Additional funding has now been confirmed to reflect the final 2023/24 pay award, this is being reviewed to consider any impact on the reported position.

This remains a potential risk area on a recurring basis with work continuing on the development of ICB 2.0 in response to the forthcoming 30% real terms reduction in running cost allowances.

ICS Capital Position:

Capital spending forecasts are currently in line with plan, however this includes an allowable 5% 'over-programming', hence the forecast is £9.34m in excess of the ICS capital departmental expenditure limit (CDEL) allocation. This will need to be managed over the remainder of the year.

Financial controls:

A letter from NHSE was shared at the last Board meeting which provided feedback on the final 2023/24 plan submission and highlighted a number of conditions and expectations around financial controls across the system, given the planned deficit position.

The spending controls and their effective operation and implementation across the ICS will be a key tool in ensuring the best use of limited resources and reducing financial risk in both the short and medium term within organisations and systems in a consistent manner. As such being assured controls are in place, and working effectively in all organisations, will provide internal and external assurance.

An approach has been agreed to management and oversight of these controls across the system, both in respect of pay spend and management of vacancies, as well as approval of non-pay spend and investments. Assurance around the controls is being managed through FPIC.

Within the ICB, a vacancy control process is already in place and an Investment Oversight Panel has been implemented to review and approve any discretionary non-pay spend above £10k.

Risks and issues

The 2022/23 financial position across the ICS included significant non-recurring benefits, with significant underlying financial pressures which present a risk to the 2023/24 position.

The final submitted financial plan for 2023/24 included overall net financial risks of £102.5m across the ICS. This included a large number of mitigations yet to be identified, excluding those, total unmitigated risk amounted to almost £252m.

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As at 31 July 2023 this position remains largely unchanged as shown in table 14 of the report, with net unmitigated risk of £96.6m being reported across the ICS.

For the ICB this includes unmitigated net risk of £21m, predominantly relating to potential pressures in continuing healthcare and prescribing costs, and potential non-delivery of stretch efficiency targets.

Additional net unmitigated risk across providers amounts to over £75m. The provider position is currently unchanged from plan. From month 5, FT providers will submit additional risk information to NHSE and the ICB to allow this position to be reviewed in more detail.

Work will continue across the system to review the position, seek to identify mitigations and collectively work to manage potential risks. Within the ICB additional spending controls (in-line with NHSE expectations) have been agreed in the Executive Committee which include methods to review and limit all "discretionary" spending until financial risk is mitigated. The ICB Senior Leaders forum participated in a workshop session in September to identify further opportunities to improve efficiency and effective use of ICB resources in both the short and medium term and a detailed plan and work programme will be presented to the Executive in the near future.

Work has commenced on the development of a ICS medium term financial planning, incorporating a financial recovery plan. This is being developed across the ICS with support from Chief Executives and Directors of Finance, with the intention to develop a high level plan by the end of September which will support NHSE requirements and support delivery of the 2023/24 financial position. The ICB has appointed Deloitte to support the development of recovery plans. More detailed plans will then be developed by the start of 2024/25 to support future years.

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 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.

Work is progressing on development of a medium term financial plan for the ICS, incorporating a financial recovery plan and Deloitte have been appointed to support this work.

Assurances are being received from each provider trust around the implementation / review of relevant financial controls.

Recommendation/action required

The Board is asked to:

- note the latest year to date and forecast financial position for 2022/23,
- note there are a number of financial risks across the system still to be managed.

Acronyms and abbreviations explained

ARRS – Primary Care Networks Additional Roles Reimbursement Scheme

BPPC – Better Payment Practice Code

CHC – Continuing Healthcare

ERF – Elective Recovery Fund

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<p>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</p>						
Executive Committee Approval	12 September 2023					
Sponsor/approving executive director	David Chandler, Executive Director of Finance					
Date approved by executive director	17/9/23					
Report author	R Henderson, Director of Finance (Corporate) A Thompson, Senior Finance Manager					
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						
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					