

Item: 15

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

BOARD

25 NOVEMBER 2025

Report Title:

NENC ICB and ICS Finance Report – M6 2025/26

Purpose of report

To provide 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 2025/26 for the six months to 30th September 2025.

Key points

Executive Summary of Key Points in the Report:

- Year-to-date deficit of £25.1m for the ICS, which is £6.0m better than planned, mainly due to a one-off land sale. Ongoing pressures from under-delivered efficiencies and industrial action costs. Recurrent savings are behind target.
- Year-to-date surplus of £7.2m for the ICB, mainly from staff vacancies. Main pressures: increased ADHD/ASD assessments with non-NHS providers, continuing care budget challenges, rising prescribing costs, and risk of elective activity exceeding funding.
- ICS & ICB forecast remains per plan for the year, but this relies on non-recurrent measures and continued cost control as well as the Action Plan from the 6th October.
- The underlying ICB deficit is £21m, and the ICS-wide underlying deficit is £418m.
- Major risks: efficiency delivery, prescribing, and continuing healthcare costs. Net unmitigated risk for the ICS is £98m; for the ICB, £2.4m.
- Ongoing monitoring, financial recovery plans, and system-wide actions are in place. The Board is asked to note the financial position, risks, and underlying deficit.

ICS Revenue Position:

As at 30 September 2025, the ICS is reporting a year-to-date deficit of £25.1m compared to a planned deficit of £31.1m. The favourable variance to plan of £6.0m is an improved position from the previous month (£4.8m ahead of plan at month 5) but continues to include a one-off benefit of £6.5m relating to a land sale in one provider trust which was planned for later in the financial year.

Pressures are being seen across several providers due to under-delivery of efficiencies, together with the impact of pressures such as the costs of covering industrial action.

Across the ICS, total year to date efficiencies are now ahead of plan with a forecast over-delivery of £3.3m overall. The position on recurrent efficiency plans continues to be challenging however with an under-delivery of £17m now reported for the six months and forecast under-delivery of over £48m. Whilst a significant amount of recurrent savings are still being delivered, this shortfall will likely worsen the underlying financial deficit across the system and organisations are being asked to take appropriate action where required to recover that position.

Where there are material variances on recurrent efficiency delivery, further assurances are being sought from relevant organisations via the Chief Executive and Chief Finance Officer of behalf of the System Recovery Board on their recurrent efficiency programme and mitigations to offset both efficiency and overall plan delivery risk. This was also a focus of the mid-year review process with NHS England.

As part of the mid-year review process there was a review around most likely out-turn for the ICS working closely with individual organisations. The starting point being a most likely out-turn of £63m which was identified via a collection exercise with ICS Directors of Finance around month 5 timelines. The largest variances to plan being in Acute Trusts often correlating to unachieved recurrent efficiencies and workforce spending reduction gaps versus plan.

Further work was undertaken in the lead up to month 6 reporting and to support mid-year review meetings with NHSE including an ICS action plan resulting from the ICS Chair and Executive finance, workforce and performance workshop held in on the 6th October with all FTs represented.

The work above resulted in favourable improvements possible within a number of Trusts to improve most likely forecast out-turn. Offsetting this though has been further pressures / risks highlighted by one of the FTs that has an individual level review. A further verbal update on the above risks and potential mitigations to the year-end forecast will be provided in the meeting.

A high-level action plan has been developed following the 6th October Chair and Executive workshop, delivery of which is being monitored by the ICS System Recovery Board.

ICB Revenue Position:

As at 30 September 2025 the ICB is reporting a year-to-date surplus of £7.2m compared to a plan of £5.9m, a favourable variance of £1.3m which largely reflects underspends on staffing costs due to vacancies.

There are three main pressure areas to highlight within the ICB position at month 6:

- 1) Significant growth in Right to Choose (RTC) ADHD/ASD (Attention Deficit Hyper Activity Disorder / Autism Spectrum Disorder) assessments with non-NHS providers
- 2) Pressure on All Age Continuing Care (AACC) budgets particularly relating to the challenging efficiency targets
- 3) Growth in prescribing costs over budget.

In addition, there is a significant potential financial risk relating to growth in elective activity. This is currently expected to be managed within agreed indicative activity plans and available funding but could reflect a substantial potential risk across the system as some trusts believe they need to do more activity than ICB has funding for and within contract to meet performance targets. The ICB has been clear to all Trusts that there is currently no additional funding for activity over financial plan values.

In relation to ADHD/ASD assessments and treatment, significant pressures are being seen on mental health budgets with a forecast pressure for the full year of £17m now calculated (£27m forecast against a budget of £10m), similar to the position at month 5. This could increase further if current activity growth trends continue, with a further £1.4m included within the ICB net risk position. At the Executive Committee following on from the action plan agreed following the 6th October workshop an Indicative Activity Plan (IAP) contract total value of £22m was agreed to be allocated in this area.

Further financial mitigation plans to support both the ICB and ICS position are being developed and agreed through executive committee. Work is progressing around agreeing realistic and deliverable IAPs, and arrangements to manage activity within those IAPs. This aims to reduce spend in the current year below the value currently included in the forecast. Contractual levers may be limited in the context of continued high demand and appointments often booked many months in advance, but the ICB will need to consider all options given the duty to live within resource allocation. Options for further actions are being explored via working with other ICBs and concerns have been highlighted with NHSE. From an affordability perspective it is extremely important that such RTC activity is delivered in line with IAPs and Activity Management Plans (AMPs) and focused on clinical need and the Executive Committee will consider the issues with these factors in mind.

In addition to effective contract management approaches, work is progressing around development of a commissioning policy including clinical and functional thresholds for referral and the triage process. An update will be provided to Board to outline the proposed approach.

A forecast overspend of £4.1m is being reported against AACC budgets at month 6, with price and activity increases impacting the position along with backdated packages of care. Progress against all ICB efficiencies is closely managed by the financial sustainability group. At month 6, performance continues to be on track overall with increased delivery on the recurrent side, but considerable risk remains around delivery of savings within AACC. Whilst individual schemes within the AACC efficiency programme are broadly on track currently, there are concerns around capacity within the team and the level of overdue reviews for example which could have a significant impact on the financial position of the ICB.

Additional Investment of £680k has been agreed in 2025/26 to clear 1,668 overdue reviews for continuing healthcare, fast track and joint funded packages of care. A further investment of £243k in 2026/27 has also been agreed to clear the remaining 556 reviews. Completing the reviews will ensure that patients are receiving appropriate levels of care for their needs and modelling gives indicative efficiency savings of £24m over two years. Monthly monitoring of reviews has been established within the business intelligence team and will be reported to the financial steering group, with oversight by the Chief Nurse. Process improvement work is also underway within the nursing directorate to ensure future backlogs are avoided.

Financial pressure is also now being reported on overall continuing healthcare budgets relating to backdated packages of care, with growth in North Tyneside and North Cumbria in particular. There continues to be potential risk around gaps in packages of care being reported on the Broadcare system, particularly relating to s117 packages. Work is progressing as a priority to ensure packages are appropriately recorded and reflected in the forecast position.

A forecast overspend of £6.9m is now being reported against prescribing budgets based on latest available data for four months. This is an increase on the overspend reported at month 5 but reflects pressures that were reflected within the ICB net risk position previously.

The forecast reflects the year-to-date actual costs forecast based on a rolling 12-month period adjusted for growth seen in year. Although there is still limited data available, actual dispensing cost and item growth for the first four months have increased by 2.8% year on year, both of those are above national averages. There are also several significant areas of growth in prescribing costs which are likely to impact the forecast position including drugs and devices used in the treatment for diabetes and weight management drugs. A further risk of £7.8m is reflected within the ICB net risk position based on latest financial modelling projections across a number of scenarios.

Given the relatively limited actual data available for the year and historical volatility in prescribing costs, there is considerable uncertainty in the forecast position on prescribing budgets. The new Community Pharmacy Contractual Framework came into place from April 2025 which guarantees additional margin to pharmacies through increased drug tariff prices. This is likely to increase potential volatility in prescribing forecasts for the year until the new margin is fully embedded into new year drug tariff prices, there is a time lag of 9 months from pharmacy margin surveys to adjusting drug tariff prices which increases the level of estimation in prices this year.

At present, despite early pressures being identified, the ICB continues to forecast a surplus for the year of £11.8m in line with plan with overspends being managed by reserves slippage on a non-recurrent basis only.

Lastly, please note there is the time lag of two months in respect of prescribing data and other activity-based contract information which can affect reported positions later in the year. The CFO mitigates the risk of timely reporting by providing verbal updates of material changes between report writing and latest information becoming available within the meeting where possible.

ICB Running Costs:

The ICB is reporting a year-to-date underspend on running cost budgets of £3.95m reflecting current vacancies within the ICB. A breakeven position is currently forecast against running cost budgets. There is significant uncertainty around the potential impact in 2025/26 of the ongoing ICB transition process and need to make cost reductions to meet the NHSE target spend of £19 per head, with potential additional transition costs, particularly redundancy costs, which may impact the running cost position in 2025/26.

ICS Capital:

For 2025/26, there is no longer a separate IFRS 16 capital budget, and the overall provider operational capital budget includes capital cover for IFRS 16 requirements. At month 6, the ICS capital spending forecasts are in line with the confirmed capital allocation. This includes additional funding received relating to operational UEC prior year performance with related spending plans now reflected in the forecast position.

Underlying Position:

The underlying position is a critical financial metric that all executive teams and boards need to be aware of and continually consider. It is a measure of an organisations recurring financial performance, excluding one-off or non-recurrent items. In the NHS context, this means adjusting the reported financial position (surplus or deficit) to remove/reflect the impact of:

- Full Year Effects (FYE) – updating for the FYE of recurrent efficiencies or investments
- Truly non-recurrent income (e.g. one off short-term central funding that won't be repeated)
- Non-recurrent expenditure (e.g. temporary cost savings, restructuring costs)
- Technical adjustments

As part of the final 2025/26 financial plan, the ICB underlying position for 2025/26 was forecast to be a deficit of £23.1m. The underlying position has been refreshed again in month 6 following further guidance from NHS England and principles agreed across the region to ensure greater consistency, particularly in the treatment of non-recurrent items.

The latest assessment of the ICB underlying position reported at month 6 is a financial deficit of £4.4m which is shown in Table 7 in the report. This includes a system adjustment to remove deficit support funding top up of £16.6m which has been recurrently protected within the ICB but is treated as non-recurrent income in provider positions, therefore has been adjusted to ensure the overall ICS underlying deficit is not overstated. Ignoring that system adjustment, the underlying position of the ICB as an individual organisation would be a deficit of £21m, similar to the previous month.

The ICB forecast out-turn is an overall surplus of £11.8m for 2025/26 which would have been £49m higher prior to a non-recurring reduction in ICB surplus being agreed to offset pressures within provider trusts. However, the position also includes significant non-recurrent efficiencies (£53.9m) and recurrent cost pressures for example on ADHD/ASD assessments which are currently being offset through non-recurrent measures. Adjusting for all of these results in an underlying financial deficit of £21m.

The underlying deficit means the ICB will need (everything else being equal) to deliver either more recurrent savings or continue to identify non-recurrent measures each year to offset the underlying deficit.

The underlying position, and reducing the deficit, will be a key element of the medium-term financial planning (MTFP) exercise. All organisations are being asked to review and update underlying positions on a monthly basis. At month 6 the latest estimate of the overall ICS underlying position was a deficit of £418m. Further work will continue to review this position for consistency and consider as part of the overall MTFP process.

Risks and issues

A number of potential financial risks were identified within the financial plan, both for the ICB and wider ICS, totalling £437m. Net unmitigated risk in the plan amounts to £244m across the system although there was inconsistency in recording of risk across the ICB. Risks largely related to the delivery of required efficiency plans which are higher than those delivered in 2024/25.

ICB risk includes potential pressures around prescribing and continuing healthcare costs, as well as delivery of challenging efficiency targets.

At month 6, ICS risk has reduced to £238m with net unmitigated risk of £98m, compared to net risk of £130m at month 5. The Directors of Finance Group will continue to review risk positions with an aim to increase consistency in reporting of risk positions.

The Board will recall that a risk share approach was agreed across the ICS as part of final 2025/26 plan submission to manage a residual financial pressure of £7.2m that was held by the ICB on behalf of the system. This was managed as a negative non-recurrent reserve within the ICB as part of plan submission with an agreement this risk would be shared across the system if it could not be mitigated.

Following review, we are confident that this risk can be fully mitigated as planned through identified non-recurrent benefits.

For the ICB, net risk amounted to £33m at plan and this has reduced to £2.4m at month 6. This includes risks around all age continuing care and potential further growth in prescribing costs.

Work continues to review the position across the system and seek to identify further mitigations along with more consistent reporting of risk across organisations. Work is continuing 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.

Given the level of financial risk we have to manage between now and the end of year, a review session was held on the 6th October with ICS Chairs and Executive Directors to review the financial, workforce and performance key metrics at the mid-point of the year. This was to better understand the level of risk and to develop and agree additional actions to manage the delivery of targets as required by NHSE. The resulting range of actions have been agreed across the system to support delivery of the plan position.

Lastly please note a formal ICS Mid-Year Performance Review has now been conducted by NHS England, which includes a review of the ICB and ICS along with detailed reviews of three provider trusts within the ICS. We await a formal letter back from NHSE.

Assurances and supporting documentation

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 monthly 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.

The Financial Sustainability Group will continue to review the delivery of ICB efficiencies, and the CEO and CFO will undertake Quarterly CIP Star Chamber Reviews with Directors (more often for AACC).

Recommendation/action required

The Board is asked to:

- note the latest year to date and forecast financial position for 2025/26,
- note there are a number of financial risks across the system still to be managed,
- note the latest ICB underlying position.

Acronyms and abbreviations explained

AACC – All Age Continuing Care

ADHD – Attention Deficit Hyperactivity Disorder

AMP – Activity Management Plan

ASD – Autism Spectrum Disorder

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

IAP – Indicative Activity Plan

ISFE – Integrated Single Financial Environment (financial ledger system)

MHIS – Mental Health Investment Standard

NHSE – NHS England

NHSFT – NHS Foundation Trust

QIPP – Quality, Innovation, Productivity and Prevention POD – Pharmacy, Ophthalmic and Dental YTD – Year to Date						
Sponsor/approving executive director	David Chandler, Chief Finance Officer					
Date approved by executive director	10 November 2025					
Report author	R Henderson, Director of Finance (Corporate) A Thompson, Senior Finance Manager					
Link to ICP strategy priorities						
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?	Yes		No	✓	N/A	
Equality analysis completed	Yes		No		N/A	✓
If there is an expected impact on patient outcomes and/or experience, has a quality impact assessment been undertaken?	Yes		No	✓	N/A	
Essential considerations						
Financial implications and considerations	The report summarises the latest financial position for both the ICB and ICS.					
Contracting and Procurement	N/A					
Local Delivery Team	N/A					
Digital implications	N/A					
Clinical involvement	N/A					
Health inequalities	N/A					
Patient and public involvement	N/A					
Partner and/or other stakeholder engagement	Position reviewed with system partners via Directors of Finance and Chief Executive meetings					
Other resources	N/A					

Version Control

Version	Date	Author	Update comments
1.0	04/11/25	Richard Henderson	Based on final approved FPIC version
2.0	10/11/25	David Chandler	Final