

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

BOARD MEETING	
28 March 2023	
Report Title:	NENC ICB and ICS Finance Report – M10
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 31 January 2023 ("month 10").	
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 2nd March 2023. The report presented here provides a high level summary of the position.</p> <p>ICB Revenue Position:</p> <p>As at 31st January 2023 the ICB is reporting a forecast deficit of £6.2m, prior to expected receipt of additional funding from NHS England (NHSE) of £8.9m 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 £2.7m against a planned surplus of £2.6m.</p> <p>Significant financial pressures are being seen in independent sector (IS) acute activity linked to elective recovery with a forecast overspend of over £21m on IS contracts. Additional funding of £5.7m has now been received from NHSE in respect of additional IS activity performed in the first 6 months of the year. Further information is awaited on any additional funding for the second half of the year.</p> <p>Significant pressures are also evident in prescribing predominantly linked to the impact of price concessions (£13.7m impact year to date and forecast impact of £20.4m) with further pressure experienced in month due to Category M price uplifts.</p> <p>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.</p> <p>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</p>	

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 £8.9m is expected based on current forecast ARRS costs.

ICS Revenue Position:

From an ICS perspective the forecast out-turn is a surplus against plan of £0.4m, as shown in Table 2. Significant further work has taken place, supported by the FPIC, with ICS Directors of Finance and ICS Chief Executives to review positions and agree forecast outturn positions across the ICS to enable overall delivery of a balanced position.

NHS Provider Foundation Trusts (FT) are forecasting an overall deficit of £2.3m compared to a planned deficit of £2.6m (a £3.3m favourable movement compared to month 9). When combined with the ICB forecast, this gives and an overall forecast surplus of £0.4m for the ICS.

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 £4.74m on capital spending plans across the ICS in comparison to the confirmed ICS capital departmental expenditure limit (CDEL) allocation. This forecast pressure continues to reduce as 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. It is anticipated capital spending will be within the allocation by the end of the year.

2023/24 Planning:

Work is progressing to develop financial plans across the ICS in line with the relevant planning guidance and financial allocations published by NHS England, with draft plans submitted on 23 February 2023. A further update is included in the separate draft financial plan and budgets 2023/24 paper.

Risks and issues

Whilst the ICB has reported a forecast in line with plan, a number of potential financial risks have been identified, totalling £9m for the ICB (reduced from £14m at month 9).

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 and
- Risk that growth in continuing healthcare (CHC) expenditure is above planned levels.

Mitigations have been identified to manage the potential ICB risks, with additional elective recovery funding mitigating previously identified risks around IS activity pressures.

In addition to ICB specific financial risks there are a number of potential risks to the wider ICS financial position within Foundation Trusts, including pressures associated with the pay award alongside other general cost pressures such as those linked to winter, covid and delivery of cost savings. These risks though have generally been mitigated by the application of non-recurrent funding pressures monies from NHSE and realignment of covid funding. Unmitigated financial risk is reduced from earlier in the year and now assessed at £7m at month 10. This is a further reduction from the previous month (unmitigated risk of £13m) reflecting continued work to manage the system position and additional mitigations identified. This forecast and risk mitigations include additional funding offered from NHSE to support system pressures and funding receipt is dependent on the ICS delivery of a break-even position for year end.

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An additional risk is that due to unforeseen additional income or pressure reduction that the ICS could forecast or achieve a greater surplus. This could put at risk the receipt of some or all of the additional funding from NHSE and as such the ICB Executive Director of Finance will work with ICS Directors of Finance to collectively manage the mitigation of this risk as much as possible.

There is also a potential risk in respect of an under-spend against the capital funding allocation due to either:

- Continued reduction in forecast spend as spending plans may no longer be achievable, and/or
- Late funding allocation of c£20m expected to be received from NHSE for the CEDARs development.

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.

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 still a number of potential financial risks across the system still to be managed between now and year end.

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						
Sponsor/approving executive director	D Chandler, Interim Executive Director of Finance					
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						
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.					

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Version Control

Version	Date	Author	Update comments
1.0	13/03/2023	Anthea Thompson	Reviewed and updated by Richard Henderson
2.0	15/03/2023	David Chandler	Final approved