



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

BOARD

25 July 2023

Report Title:

NENC ICB and ICS Finance Report – M2

Purpose of report

To provide the committee 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 May 2023.

Key points

ICS Revenue Position:

As at 31 May 2023, the ICS is reporting an overall year to date deficit of £30.46m compared to a planned deficit of £28.66m, an adverse variance of £1.8m, as shown in Table 2.

The £1.8m year to date overspend compared to plan reflects pressures in provider positions relating to costs associated with strike action and achievement of elective recovery funding.

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 £49.87m in line with plan.

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.

ICB Revenue Position:

As at 31 May 2023 the ICB is reporting a year to date surplus of £5.38m, broadly in line with plan, with a forecast surplus for the year of £32.4m.

At this stage of the year there is always very limited data available which creates an additional level of risk and uncertainty in the forecast outturn position.

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 £26m in total which will potentially impact the ICB.

This reflects risks around the delivery of stretch efficiencies, growth in continuing healthcare costs and prescribing costs, predominantly relating to the impact of Category M drugs.

This will continue to be reviewed as further information on current year costs becomes available, however in recognition of the financial pressures and unmitigated potential risks, the ICB Executive Committee have agreed to implement additional financial controls.

This includes a pause on all non-discretionary non-staff spend, alongside the existing vacancy controls already in place, whilst additional risk mitigations are identified. The practical application of these controls is currently being reviewed with a process to make exceptional requests via an executive led panel.

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 £9.44m in excess of the ICS capital departmental expenditure limit (CDEL) allocation. This will need to be managed over the remainder of the year.

NHSE plan letter conditions and financial controls:

Attached as appendix 1 is a copy of a letter received from NHSE in June 2023 providing feedback on the final 2023/24 plan submission and highlighting a number of conditions and expectations around financial controls across the system, given the planned deficit position.

The ICB Executive Director of Finance is leading discussions across the ICS Directors of Finance to consider the most effective practical application of these controls and how assurance is provided as to the consistent operation of controls.

In the majority of cases, appropriate controls are already in place within individual organisations, although these may need to be reviewed. In some cases the process for suggested controls will need to be considered, for example in relation to investment oversight panel and provision of related papers to NHSE.

The financial controls and conditions outlined within the letter will be reviewed in detail and updates provided via Finance, Performance and Investment Committee and Executive Committee.

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 amounts to almost £252m.

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As at 31 May 2023 this position remains largely unchanged, with net unmitigated risk of £101.6m being reported across the ICS.

For the ICB this includes unmitigated net risk of £26m, 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.

Work will continue across the system to review the position, seek to identify mitigations and collectively work to manage potential risks. Additional spending controls (in-line with NHSE expectations) have been agreed in the Executive Committee which in essence have paused all "discretionary" spending until financial risk is mitigated.

Work has commenced on the development of a medium-term financial plan, 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. 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 including the delivery of efficiency targets.

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.

Recommendation/action required

The Committee 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,
- note the attached letter from NHSE and in particular the expectation around financial controls which will be reviewed across the ICS.

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						
Executive Committee Approval	11 July 2023					
Sponsor/approving executive director	David Chandler, Executive Director of Finance					
Date approved by executive director	17/07/2023					
Report author	Richard Henderson, Director of Finance (Corporate) Anthea 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					

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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	16/06/2023	Anthea Thompson	Reviewed and updated by Richard Henderson
2.0	28/6/2023	David Chandler	Final Approved