

Item: 10.2

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

BOARD

30 JANUARY 2024

Report Title:

NENC ICB and ICS Finance Report – M8

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 30 November 2023.

Key points

ICS Revenue Position:

As at 30 November 2023, the ICS is reporting an overall year to date (YTD) deficit of £29.7m compared to a planned deficit of £48.6m, a favourable variance of £18.9m (compared to an adverse YTD variance of £20.8m at month 7).

The improved YTD position is mainly due to the receipt of additional non-recurrent funding to support industrial action and other pressures, together with changes in Elective Recovery Fund (ERF) arrangements agreed by NHS England in November 2023. It should be noted that the full impact of the Industrial Action related funding of £46m was required to be shown against the YTD position rather than phased evenly through the whole year as originally expected. Hence the year to date variance against plan has improved more than what might have been expected if funding was phased across the whole year.

The forecast ICS position reported at month 8 continues to be in line with original plan, a deficit of £49.87m. A revised forecast plan was approved by ICB Board in November 2023 with a deficit of £34.6m. NHS England requested the forecast position was kept unchanged at month 8 until this revised forecast plan was formally agreed, which is expected for the month 9 submission.

The ICS Efficiency programme is on track to deliver the total required of £408m however it should be noted that the level of recurrent efficiency delivery is expected to be circa £63m behind plan (around 1% shortfall). This is mainly within the provider part of the ICS and effectively makes the 24/25 financial plan more challenging.

ICB Revenue Position:

As at 30 November 2023 the ICB is reporting a YTD surplus of £23.5m, an improvement to plan of £1.9m (compared to an adverse variance to plan of £5.8m at month 7). Again this improvement is due to the receipt of additional non-recurrent funding and ERF overperformance funding which is helping to offset pressures in prescribing and continuing healthcare costs. The ICB forecast surplus for the year continues to be £32.4m in line with plan.

Prescribing costs, based on six months of actual data received so far, are demonstrating growth of almost 12% compared to the same period last year, significantly higher than national expectations of growth reflected in ICB funding allocations of 2.4%. However it should be noted that prescribing growth has slowed slightly over the last three months which is encouraging.

ICB Running Costs:

The ICB is reporting a relatively small underspend against running costs budgets (£3.8m YTD and £1.5m forecast underspend). This underspend helps to offset pressures where certain costs have been reviewed and realigned to programme budgets.

Running costs remains a potential risk area for the ICB 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.

Non-recurring redundancy costs are expected in 2023/24 to support the delivery of the required 30% reduction in recurring costs. These have been estimated at £6m in total, which will impact both running and programme costs. Currently we expect this can be managed without any impact on delivery of financial duties, with funding identified in both running and programme budgets, although this will require careful monitoring and liaison with NHSE.

ICS Capital Position:

Capital spending forecasts are currently in line with plan; however this includes an allowable 5% 'over-programming', hence the forecast is £9.4m in excess of the ICS capital departmental expenditure limit (CDEL) allocation. At month 8, the capital position includes the impact of IFRS16 (lease accounting) which was previously managed centrally by NHS England. This has increased the forecast overspend to £40.9m, although additional funding held regionally is expected to mitigate most of the pressure arising from IFRS16. Work continues with the Provider Collaborative to manage the overall capital position by the end of the year and the expectation is that spending for 23/24 will be within budget constraints.

Risks and issues

As previously reported and included within the financial plan, at month 7 there were significant potential unmitigated financial risks to the forecast position.

Net risks have reduced significantly this month following confirmation of additional non-recurrent support funding and changes to ERF. As at 30 November 2023, overall net risks are estimated at £10m across the ICS, compared to £88m at month 7.

This does not include the potential impact of further industrial action in the remainder of the year which could pose a further significant risk to the position.

Work will continue across the system to review the position, seek to identify mitigations and collectively work to manage potential risks. Financial controls are being actively reviewed across the system, with additional controls implemented where necessary to manage potential financial risks.

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 and the ICB Executive Committee.

Work is progressing on the 24/25 financial plan although formal planning guidance is yet to be issued and the development of a medium term financial plan for the ICS, incorporating a financial recovery plan.

Recommendation/action required

The Board is asked to:

- note the latest year to date and forecast financial position for 2023/24,
- note there are a number of financial risks across the system still to be managed although these are significantly reduced from previous levels,
- note the agreed revised system forecast position will be reported at month 9.

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
 H2 – Half 2 (widely used by NHSE and financial institutions to refer to the second half of the financial year in the same way Q1 = Quarter 1)
 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
 YTD – Year to Date

Executive Committee Approval	16 January 2024
Sponsor/approving executive director	David Chandler, Executive Director of Finance
Date approved by executive director	22/01/24
Report author	R Henderson, Director of Finance (Corporate) A Thompson, Senior Finance Manager

Link to ICP strategy priorities (please tick all that apply)

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? (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

Version Control

Version	Date	Author	Update comments
1.0	16/01/24	Richard Henderson	Report updated based on approved Exec Committee version
2.0	22/01/24	David Chandler	Amends made
3.0	22/01/24	Richard Henderson	Confirmed amends as final version