

Item: 10.3

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

BOARD

28 NOVEMBER 2023

Report Title:

NENC ICB and ICS Finance Report – M6

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 September 2023.

Key points

The full financial report for the period was reviewed in detail by the Finance, Performance and Investment Committee (FPIC) at its meeting on 2nd November 2023. The report presented here provides a high level summary of the position.

ICS Revenue Position:

As at 30 September 2023, the ICS is reporting an overall year to date (YTD) deficit of £65.7m compared to a planned deficit of £44.2m, an adverse variance of £21.5m, as shown in Table 1. This is an improvement on the YTD adverse variance reported last month of £26.7m.

The £21.5m YTD overspend, compared to plan, includes an £11.7m pressure in provider positions which is predominantly linked to under achievement on Elective Recovery Funding (ERF) performance and costs associated with industrial action, together with pay award and other excess inflation cost pressures. The ICB is reporting a YTD overspend compared to plan of £9.8m as explained below.

This YTD variance is currently still 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.

As highlighted previously, there are significant potential financial risks to delivering this position. These are included in the risks and issues section below.

ICB Revenue Position:

As at 30 September 2023 the ICB is reporting a YTD surplus of £6.4m, an adverse variance to plan of £9.8m relating to growth in prescribing and continuing healthcare costs, with a forecast surplus for the year of £32.4m in line with plan.

Prescribing costs, based on four months of actual data received so far, are demonstrating growth of almost 13% compared to the same period last year, significantly higher than national expectations of growth reflected in ICB funding allocations (2.4%).

Given the limited data available due to the two month time lag in receipt of prescribing costs, potential prescribing cost pressures have previously been reported within ICB risks rather than in the forecast outturn position. At month 6, a forecast overspend of £35m has been recognised on prescribing budgets, based on a straight line forecast of actual costs for the first four months of the year. Historically the prescribing position has proven volatile and given trend information a further risk of almost £25m in total has been included as part of ICB risks at month 6. In total the risk adjusted prescribing forecast is therefore a potential overspend of £59.5m (just over 10% of budget).

A number of potential financial risks were identified within the financial plan. Based on latest information available, there are unmitigated net risks estimated at a total of just over £22m which will potentially impact the ICB. This is a small reduction in net risk from the previous month (£24.5m net risk).

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 relatively small underspend against running costs budgets (£1.58m YTD and £1.52m forecast underspend). This underspend helps to offset pressures where certain costs have been realigned to programme budgets following a coding review.

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.

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. This will need to be managed over the remainder of the year with the Provider Collaborative taking a lead role in this.

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.

As at 30 September 2023 this position has improved with net unmitigated risk of £90m being reported across the ICS.

For the ICB this includes unmitigated net risk of £22m as described above, predominantly relating to potential pressures in continuing healthcare and prescribing costs.

Additional net unmitigated risk across providers amounts to over £68m. Further work to review the net risk position with providers is planned for month 7 reporting.

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.

Work is well underway on the development of a medium term financial plan, incorporating a financial recovery plan. This is being produced across the ICS with support from Chief Executives and Directors of Finance, with a high level plan developed and work progressing on potential opportunities to close the financial gap.

Going forward the financial forecast and risk of the ICB and the ICS will be affected by the H2 letter received by NHSE on 8th November and an update on this will be provided within the meeting.

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 is reviewed monthly by the ICB Executive and both the ICB and wider ICS position are 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.

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 2023/24,
- note there are a number of financial risks across the system still to be managed.

Acronyms and abbreviations explained

RRS – 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
 YTD – Year to Date

Executive Committee Approval	14 November 2023
Sponsor/approving executive director	David Chandler, Executive Director of Finance
Date approved by executive director	David Chandler, 20/11/23
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					

Version Control

Version	Date	Author	Update comments
1.0	08/11/23	Richard Henderson	Based on approved Exec Committee version
2.0	20/11/23	D Chandler	Final