

## Integrated Care Board

<b>Date of meeting</b>	11 September 2024
<b>Title of paper</b>	Finance Performance Report – Month 4
<b>Presented by</b>	Sam Proffitt, Chief Finance Officer
<b>Author</b>	Elaine Collier / Andrew Harrison
<b>Agenda item</b>	9
<b>Confidential</b>	No

<b>Executive summary</b>		
<p>The final financial plan submitted on 12 June 2024 delivers the agreed system control total of £175m deficit which NHS England have confirmed will be cash and resource backed to enable Lancashire and South Cumbria to report a break-even position.</p> <p>Until this resource is received the system will report against a deficit plan of £175m</p> <p>The system is forecasting to deliver the full year planned position at month 4.</p> <p>As at the 31 July 2024 (month 4) the Integrated Care Board (ICB) is £4.5m behind plan. This represents a year-to-date deficit of £85.2m for the Provider Trusts and a year-to-date deficit of £29.1m for the ICB.</p> <p>Delivery of the agreed control total is dependent on the release of £530.8m of efficiency savings, £260.8m for providers and £270.0m for the ICB.</p> <p>The report provides an overview of the current financial position, focusing on the year-to-date deficit position, delivery against the efficiency programme and the risk associated with the full year target for the system.</p>		
<b>Recommendations</b>		
<p>The Lancashire and South Cumbria ICB is asked to <b>note</b> the content of this report.</p>		
<b>Which Strategic Objective/s does the report relate to:</b>		<b>Tick</b>
SO1	Improve quality, including safety, clinical outcomes, and patient experience	
SO2	To equalise opportunities and clinical outcomes across the area	
SO3	Make working in Lancashire and South Cumbria an attractive and desirable option for existing and potential employees	
SO4	Meet financial targets and deliver improved productivity	<b>Y</b>
SO5	Meet national and locally determined performance standards and targets	<b>Y</b>
SO6	To develop and implement ambitious, deliverable strategies	<b>Y</b>

<b>Implications</b>				
	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
Associated risks				
Are associated risks detailed on the ICB Risk Register?	<b>X</b>			ICB-008
Financial Implications	<b>X</b>			The benefits delivered by focussing on delivering our financial target are an essential contribution to our 3-year financial recovery plan
<b>Where paper has been discussed (list other committees/forums that have discussed this paper)</b>				
<b>Meeting</b>	<b>Date</b>		<b>Outcomes</b>	
<b>Conflicts of interest associated with this report</b>				
Not applicable				
<b>Impact assessments</b>				
	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
Quality impact assessment completed			<b>X</b>	
Equality impact assessment completed			<b>X</b>	
Data privacy impact assessment completed			<b>X</b>	
<b>Report authorised by:</b>	Sam Proffitt, Chief Finance Officer			

# Integrated Care Board – 11 September 2024

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## Finance Performance Report – Month 4

### 1.0 Introduction

- 1.1 This paper reports the financial position at the end of month 4, July 2024 and provides an assessment of the risks associated with the Lancashire and South Cumbria (LSC) health system in delivering its agreed control total.
- 1.2 The final plan submitted on 12 June 2024 confirmed that the system will achieve the agreed control total of £175.0m.
- 1.3 This position requires the system to deliver £530.8m of savings during the year, £260.8m for providers and £270.0m for the ICB. The total savings requirement equates to 11% of the system funding allocation and there is high risk associated with the full delivery of these savings.
- 1.4 Although the system is broadly on plan after the first four months the risk in latter part of the year remains high due to the expected timing of the savings delivery. Action will need to be taken to ensure these plans deliver to enable the system to meet its financial plan.
- 1.5 Given this level of risk, the system is currently receiving support from NHSE to identify and deliver actions required to mitigate risks in the plan.
- 1.6 This paper sets out how the system is currently performing, the risks associated with delivering the financial plan and action and mitigation to meet the year end target.

### 2.0 Current Financial Performance

- 2.1 As at the 31 July 2024 the Integrated Care Board (ICB) is £4.5m behind plan as a system. The deficit plan for the year is £175m and at month 4 the system has a deficit of £114.3m against a planned deficit of £109.8m
- 2.2 This represents a year-to-date deficit of £85.2m for the Provider Trusts and a year-to-date deficit of £29.1m for the ICB.
- 2.3 The £4.5m variance from plan is against the provider plans and includes costs of £2.4m associated with industrial action which is expected to be funded.
- 2.4 Although the system is only marginally behind plan at month 4 the full year delivery is dependent on a number of savings plans that have been planned for delivery in the latter part of the year.

- 2.5 It is essential that these plans are closely monitored and delivered in line with the timescales and trajectories set to avoid deviation from plan. These savings and risks are described in more detail in the paper reported separately to the Board on System Recovery and transformation.
- 2.6 The month 4 position for the system is provided at **Table 1**.

**Table 1: Summary financial position**

ICS System Summary Income and Expenditure	Year to Date : Month 1-4			Forecast : Month 1-12			Revised Forecast Outturn *
	Plan	Actual	Variance Favourable / (Adverse)	Plan	Forecast Outturn	Variance Favourable / (Adverse)	
	£000	£000	£000	£000	£000	£000	
Blackpool Teaching Hospitals NHS FT	(24,373)	(25,483)	(1,110)	(21,886)	(21,886)	0	0
East Lancashire Hospitals NHS Trust	(19,116)	(20,382)	(1,266)	(21,886)	(21,886)	0	0
Lancashire & South Cumbria NHS FT	(4,476)	(4,461)	15	0	0	0	0
Lancashire Teaching Hospitals NHS FT	(19,422)	(19,920)	(498)	(21,886)	(21,886)	0	0
North West Ambulance Service NHSE Trust	0	1,390	1,390	0	0	0	0
University Hospitals of Morecambe Bay NHS	(13,294)	(16,340)	(3,046)	(21,886)	(21,886)	0	0
<b>Providers</b>	<b>(80,681)</b>	<b>(85,196)</b>	<b>(4,515)</b>	<b>(87,544)</b>	<b>(87,544)</b>	<b>0</b>	<b>0</b>
Lancashire & South Cumbria ICB	(29,151)	(29,151)	0	(87,455)	(87,455)	0	0
<b>ICS System Surplus / (Deficit)</b>	<b>(109,832)</b>	<b>(114,347)</b>	<b>(4,515)</b>	<b>(174,999)</b>	<b>(174,999)</b>	<b>0</b>	<b>0</b>

\* Break-even after receipt of deficit resource and cash support.

### 3.0 ICB Financial Performance

- 3.1 At the end of month 4, the Integrated Care Board (ICB) is reporting a year-to-date position which is in line with the planned deficit position.
- 3.2 In order to deliver the planned control total, the ICB is required to achieve efficiency savings of £270.0m which represents 6.1% of the revenue resource limit.
- 3.3 Details of the ICB position by key commissioning areas is shown in **Table 2**. This shows that the savings plans associated with use of reserves is being used to offset the slippage in some of the QIPP schemes. The majority of this relates to slippage of savings schemes with the greatest level of risk. These are contract reviews and continuing healthcare and new pressures emerging in continuing healthcare.
- 3.4 A review of the QIPP savings schemes has been undertaken by the ICB Executive team and some mitigations have been put in place to ensure delivery during the remainder of the year. These include an ongoing focus on the continuing healthcare expenditure as the ICB is a significant outlier in terms of the amount being spend per head of population.

**Table 2 – ICB Month 4 position by key commissioning areas**

Summary Income and Expenditure	Year to Date : Month 1-4			Forecast : Month 1-12		
	Budget	Actual	Variance Favourable / (Adverse)	Budget	Forecast Outturn	Variance Favourable / (Adverse)
	£000	£000	£000	£000	£000	£000
Revenue Resource Limit	1,634,760	1,634,760	0	4,819,732	4,819,732	0
<b>Total Allocations</b>	<b>1,634,760</b>	<b>1,634,760</b>	<b>0</b>	<b>4,819,732</b>	<b>4,819,732</b>	<b>0</b>
Acute Services	744,703	751,013	(6,310)	2,199,856	2,201,749	(1,893)
Mental Health Services	183,184	184,152	(968)	537,109	536,474	635
Community Services	132,933	134,482	(1,549)	395,824	395,403	420
Continuing Care Services	101,518	118,081	(16,563)	290,503	302,112	(11,610)
Primary Care Services	139,149	140,899	(1,750)	403,586	403,648	(63)
Other Commissioned Services	3,766	3,908	(142)	11,325	11,159	166
Other Programme Services	16,124	16,008	116	48,570	48,964	(394)
Reserves/Contingencies	23,499	0	23,499	63,985	60,125	3,861
Delegated Services	309,323	306,477	2,846	928,255	919,004	9,251
<b>Healthcare Sub Total</b>	<b>1,654,198</b>	<b>1,655,021</b>	<b>(823)</b>	<b>4,879,012</b>	<b>4,878,638</b>	<b>374</b>
Running Costs	9,713	8,890	823	28,175	28,549	(374)
<b>Total Expenditure</b>	<b>1,663,911</b>	<b>1,663,911</b>	<b>(0)</b>	<b>4,907,187</b>	<b>4,907,187</b>	<b>(0)</b>
<b>Surplus / (Deficit)</b>	<b>(29,151)</b>	<b>(29,151)</b>	<b>(0)</b>	<b>(87,455)</b>	<b>(87,455)</b>	<b>(0)</b>

#### 4.0 Provider Financial Performance

- 4.1 At the end of month 4, the providers are reporting a year-to-date position which is £4.5m behind plan. The impact of industrial action is £2.4m which is expected to be funded with £2.1m relating to other pressures.
- 4.2 In order to deliver the planned control total, the providers are required to collectively deliver efficiency savings of £260.8m.

#### 5.0 Efficiencies

- 5.1 Month 4 efficiency performance is shown in **Table 3**. As at the 31 July, savings of £78.1m have been delivered across the system which is £3.3m behind plan.
- 5.2 The providers have delivered savings of £29.7m against a year-to-date plan of £33.0m, with 89% (£231.1m) of savings plans to be delivered in the remaining 8 months of the financial year.
- 5.3 The ICB has delivered the year-to-date plan of £48.4m in full, with 82% (£221.6m) of savings plans to be delivered in the remaining 8 months.
- 5.4 The full year forecast for all organisations is to deliver savings of £530.8m.
- 5.5 The Lancashire and Cumbria system is part of the national NHS England support programme. More information about this is described in a separate recovery and transformation paper to the Board.

**Table 3: Efficiency performance**

ICS System Efficiency Savings	Year to Date : Month 1-4			Forecast : Month 1-12			Savings still to be delivered %
	Plan	Actual	Variance Favourable / (Adverse)	Plan	Forecast Outturn	Variance Favourable / (Adverse)	
	£000	£000	£000	£000	£000	£000	
Blackpool Teaching Hospitals NHS FT	4,143	2,813	(1,330)	63,692	63,692	0	96%
East Lancashire Hospitals NHS Trust	6,277	6,277	0	59,679	59,679	0	89%
Lancashire & South Cumbria NHS FT	6,139	6,558	419	27,000	27,000	0	76%
Lancashire Teaching Hospitals NHS FT	5,794	5,819	25	58,041	58,041	0	90%
North West Ambulance Service NHSE Trust	4,619	4,692	73	15,059	15,059	0	69%
University Hospitals of Morecambe Bay NHS	6,069	3,562	(2,507)	37,311	37,311	0	90%
<b>Providers</b>	<b>33,041</b>	<b>29,721</b>	<b>(3,320)</b>	<b>260,782</b>	<b>260,782</b>	<b>0</b>	<b>89%</b>
Lancashire & South Cumbria ICB	48,403	48,403	0	269,992	269,992	0	82%
<b>ICS System Surplus / (Deficit)</b>	<b>81,444</b>	<b>78,124</b>	<b>(3,320)</b>	<b>530,774</b>	<b>530,774</b>	<b>0</b>	<b>85%</b>

## 6.0 Capital

- 6.1 The agreement of the system control total incorporated a £10.0m reduction in the capital envelope which was split on a fair shares basis with the revised plan being ratified by the Capital Oversight Group (COG).
- 6.2 The provider capital envelope for 2024-25 is £111.2m as shown in **Table 4** below. This is comprised of an operational capital envelope of £85.9m and an allocation for IFRS16 related expenditure (leases) of £25.3m. At month 4, providers have spent £33.1m, which is £10.8m behind plan. They are forecasting to overspend against the envelope by £33.5m which is due to pressures against the IFRS16 allocation relating to planned (and necessary) lease expenditure. This is significantly more than the allocation awarded by NHSE. The ICB is working closely with NHSE to manage this position.

**Table 4: Charge against Capital Allocation (including IFRS16)**

Provider Charge against Capital Allocation (including impact of IFRS16)	Year to Date : Month 1-4			Forecast : Month 1-12		
	Plan	Actual	Variance Favourable / (Adverse)	Plan	Forecast Outturn	Variance Favourable / (Adverse)
	£000	£000	£000	£000	£000	£000
Blackpool Teaching Hospitals NHS FT	4,348	3,492	(856)	17,770	17,706	(64)
East Lancashire Hospitals NHS Trust	3,017	2,211	(806)	27,527	27,527	0
Lancashire & South Cumbria NHS FT	5,916	6,059	142	10,584	10,584	0
Lancashire Teaching Hospitals NHS FT	17,738	16,130	(1,608)	32,833	32,833	0
North West Ambulance Service NHSE Trust	8,362	2,491	(5,871)	42,620	40,720	(1,900)
University Hospitals of Morecambe Bay NHS	4,534	2,682	(1,852)	15,344	15,344	0
<b>Provider Total</b>	<b>43,916</b>	<b>33,065</b>	<b>(10,851)</b>	<b>146,678</b>	<b>144,714</b>	<b>(1,964)</b>
<b>Total Provider Allocation</b>					<b>111,222</b>	
<b>Forecast Variance to Allocation</b>					<b>(33,492)</b>	

## 7.0 Risk

- 7.1 At month 4, the main risk to delivery of the agreed system control total is in relation to the efficiency programme. The system is required to deliver a collective £530.8m of savings with £78.1m (15%) being delivered as at the 31 July 2024.

- 7.2 In terms of the remaining £452.7m, schemes classified as high-risk/unidentified total £152.4m. Providers have identified £83m and the ICB is reporting £69.4m of high risk schemes.
- 7.3 The high-risk schemes within providers relate largely to those schemes that remain at an identified opportunity stage but still required detailed plans to be fully developed. Many of these higher risk schemes are planned for delivery in the last half of the year which will enable the expenditure run rate to be reduced as plans progress through the year. This is reflected in the higher deficit plan in the first part of the year.
- 7.4 Therefore, it is essential that these have clear milestones and deliverables with close monitoring and mitigation, where required, in order to deliver the plan. The ICB is reviewing the progress of the schemes through the monthly assurance meetings with each provider and regular updates on progress will be reported to the Finance and Performance Committee and the Board throughout the year.
- 7.5 The high-risk scheme within the ICB also relate to those scheme that require more granular plans. As previously described, these are largely around contract review in particular and the management of Continuing Health Care costs.
- 7.6 Each scheme in the ICB has a lead Executive and Senior Manager and the schemes are reviewed monthly though the QIPP group and reported to the Recovery and Transformation Board.

## **8.0 Recommendations**

- 8.1 The Lancashire and South Cumbria ICB is asked to note the content of this report for the period ending 31 July 2024.

**Sam Proffitt**

Chief Finance Officer

30 August 2024