

Integrated Care Board

Date of meeting	27 July 2022
Title of paper	Lancashire and South Cumbria ICB 2022-23 Budget
Presented by	Sam Proffitt, Chief Finance Officer
Author	Katherine Disley, Operational Director of Finance
Agenda item	10
Confidential	No

Purpose of the paper		
The paper sets out the financial budget for the Lancashire and South Cumbria ICB for the period April 2022 to March 2023.		
Executive summary		
Lancashire and South Cumbria ICB submitted a balanced financial plan as part of the 2022-23 Operational Plan submission on 20 th June 2022 which was compliant with the national 2022-23 priorities and operational planning guidance.		
The budget set out in this paper underpins that plan and provides detail on the system allocation, expenditure budgets, efficiency requirements and risk. The system will need to manage the risk identified with in the plan through clear organisational efficiency plans and system wide schemes into order to deliver the balanced plan.		
The planning priorities and budget book are set out in the appendices to the paper.		
Recommendations		
The Lancashire and South Cumbria ICB is statutorily responsible for ensuring its expenditure does not exceed the budget allocated from NHS England for 2022-23 and for ensuring expenditure on administrative running costs is within the specified allowance.		
The ICB is asked to approve the budget for the period 1 April 2022 to 31 March 2023.		
Governance and reporting (list other forums that have discussed this paper)		
Meeting	Date	Outcomes
Executive Meeting	12 th July 2022	Supported the paper for the Board and actions required to ensure management of the risk
Conflicts of interest identified		
'not applicable'		

Implications				
<i>If yes, please provide a brief risk description and reference number</i>	Yes	No	N/A	Comments
Quality impact assessment completed				
Equality impact assessment completed				
Privacy impact assessment completed				
Financial impact assessment completed				
Associated risks				
Are associated risks detailed on the ICS Risk Register?				

Report authorised by:	Sam Proffitt, Chief Finance Officer
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Integrated Care Board – 27 July 2022

Lancashire and South Cumbria ICB 2022-23 Budget

For the period 1 April 2022 to 31 March 2023

SECTION 1 - Revenue Budget

1.0 Introduction

- 1.1 In line with the Operating Planning Guidance, a system-based approach has been undertaken in order to finalise the plan for the 2022-23 financial year. A single Lancashire & South Cumbria system plan was submitted on the 20 June 2022 which detailed all commissioner and provider plans as agreed by individual organisations.
- 1.2 The Health and Care Bill received Royal Assent on the 28th April 2022, confirming the go live date of 1 July 2022 for ICS arrangements to take effect and Integrated Care Boards (ICBs) to be legally and operationally established. Statutory arrangements remained in place until 1 July 2022 which required all Clinical Commissioning Groups (CCGs) to approve a three-month plan covering the period 1 April 2022 to 30 June 2022 at which point CCGs were disestablished.
- 1.3 The Integrated Care Board (ICB) is required to formally approve the 2022-23 financial budget which unpins the submitted 2022-23 operating plan.

2.0 Purpose

- 2.1 The purpose of this paper is to set out how the system allocation will be used to support the delivery of operational planning priorities over the 2022-23 financial year. A summary of the planning priorities is outlined in **Appendix A**.
- 2.2 The paper also includes the funding and expenditure plan for all 2022-23 commissioned services and running costs and the key risks associated with delivering the system plan.

3.0 System financial envelope for 2022-23

- 3.1 Guidance on Revenue Finance and Contracting Arrangements for period 1 April 2022 to 31 March 2023 was published in April 2022, which sets out the detailed arrangements on how the funding envelopes and payment arrangements have been calculated.
- 3.2 During 2020-21 and 2021-22, systems were also established as the key unit for financial allocations. In 2022-23, this approach will continue to support greater collaboration and collective responsibility for financial performance.
- 3.3 The funding arrangements in place are summarised as follows;
 - From 2022/23, the allocations methodology seeks to move systems back towards a fair share distribution of resource. Over a number of years, the system allocation will be moved towards the fair share allocation using a percentage reduction each year. This is

known as the convergence adjustment and in 2022-23 this percentage reduction was 1.07% which equates to £34.4m.

- ICB programme allocations are broadly based on annualised system funding envelopes (comprising the combined CCG allocation and system top-up components) for the second half ('H2') of 2021/22 (ie H2 x 2), with the following adjustments;
 - Adjusting H2 to be the right recurrent future baseline.
 - Uplift to reflect the net growth for 2022-23 of 2.4% (comprising uplift of 3.5% offset by an efficiency requirement of 1.1%).
- Additional elective funding of £60.5m has been allocated to commissioners to deliver 104% of 2019/20 levels of value-based activity.
- ICBs are asked to maintain spending on a flat cash basis against the 2021-22 running cost allocation of the combined CCGs, which means that running costs will fall in real terms. ICBs must remain within the 2022/23 running cost allocation as they implement their establishment and new legal framework. The systems running cost envelope is £32.2m.
- The System will continue to receive SDF allocations to support the delivery of the NHS Long Term Plan commitments which total £76.8m.
- Systems will continue to receive a fixed system allocation for COVID-19 services based on their provider and commissioner footprints. The COVID-19 allocation has been reduced by 57% from H2 2021-22 (annualised) levels in line to £74.7m. This is to reflect a reduced level of covid activity.
- Although the contracting guidance anticipates the move to an Aligned Payment and Incentive (API) approach for all activity in scope of the National Tariff Payment System (NTPS), all parties have collectively agreed to maintain the block payment arrangements between NHS commissioners (comprising NHS England and CCGs) and NHS providers for 2022-23.

3.4 Funding envelopes are based on the expectation that each system will set out plans to deliver its recovery and activity requirements and achieve financial balance within this envelope. The planned position for CCGs was the delivery of a breakeven position for the period 1 April 2022 to 30 June 2022.

4.0 Other Planning Assumptions

4.1 The following planning assumptions have been correctly included in the system financial plan for 2022-23.

- The Mental Health Investment Standard (MHIS) continues for ICBs and will also continue to be subject to an independent review.
- The MHIS standard requires ICBs to increase spend on mental health services by more (0.625%) than ICB programme allocation base growth. For Lancashire & South Cumbria, growth of 5.36% is required against 2021-22 expenditure levels. This has provided an additional investment of £18.8m in 2022-23.
- Better Care Fund (BCF) will continue into 2022-23 and for the purposes of planning, ICBs are required to assume a minimum contribution increase of 5.66%.

5.0 System financial envelope for 2022-23

- 5.1 The funding arrangements have been set out in detail at section 3.3 above. For 2022-23, the summary system financial envelope is summarised in **Table 1**. This shows a total system allocation in 2022-23 of £3.8bn of which £3.5bn is recurrent.

Table 1: System Financial Envelope Summary

Allocations	2022-23 £000s
CCG Recurrent Allocation	
ICB Programme Allocation	3,181,035
Ockenden funding	2,453
Primary Medical Care Services	294,831
Running costs	32,225
ICB Programme Allocation - Additional Funding	35,094
Total CCG recurrent Allocation	3,545,638
CCG Non-Recurrent Allocation	
Health Inequalities Funding	7,916
Elective Services Recovery Funding	60,552
COVID funding	74,779
Service Development Fund (SDF)	76,805
ICB Programme Allocation - Additional Funding	13,565
Total CCG Non-Recurrent Allocation	233,617
Total System Allocation	3,779,255

6.0 Summary Budget Position

- 6.1 The system plan aims to provide services in the most effective way within the available allocation, running cost allowance and cash limit.
- 6.2 The financial plan has been prepared in accordance with the guidance issued in April 2022 which outlined the detail of the financial arrangements for the NHS for the full financial year. The following budget summary sets out the total expenditure by care setting for the system against the agreed allocations.
- 6.3 Expenditure plans within the total system allocation are shown in **Table 2**. The detailed Budget spend areas and associated Executive and Senior Manager budget leads are provided in **Appendix B**.

Table 2: Budget Summary for 2022-23

	2022-23 £000s
Total System Allocation	3,779,255
Area of Spend	
Acute Services	(2,077,000)
Mental Health Service	(442,147)
Community Health Service	(294,410)
Continuing Care Service	(194,594)
Primary Care Service	(317,476)
Other Programme Service	(86,499)
Primary Medical Services	(320,998)
Running Costs	(32,225)
Reserves / Contingencies	(13,906)
Total ICB Expenditure	(3,779,255)
Surplus / (Deficit)	0

6.4 The budget includes £13.9m of Transformation Funding (0.5%) set aside under Reserves/Contingencies. Investment in service transformation will only be approved where a Return on Investment (ROI) can be demonstrated that is at least equal to the investment required.

7.0 Restrictions on the use of budget allocations and pooled budget arrangements

7.1 There are a small number of budgets that are considered ringfenced and as such can only be utilised for the purposes intended.

7.2 A summary of all ring fenced budgets included in the financial plan is set out below:

- Better Care Fund (s256) with local authority partners - £149.4m
- Learning Disability Pooled Budget arrangements - £12.3m
- Primary Care Co-commissioning - £294.8m

8.0 Capital

8.1 As part of the 2022/23 planning process systems have been issued with 3-year capital allocations for 2022/23, 2023/24 and 2024/25. For Healthier Lancashire and South Cumbria (LSC) this totals £427.9m as shown in **Table 3**.

Table 3 - 3 Year Capital Allocations

Allocations (£000)	22-23	23-24	24-25	Total
Provider	109,345	103,640	100,330	313,315
Primary Care	3,117	3,113	3,109	9,339
Sub-Total System Operational Capital	112,462	106,753	103,439	322,654
Elective Recovery	23,473	16,767	10,060	50,300
Endoscopy	390	1,140	590	2,120
CDC	24,390	9,440	9,440	43,270
Levelling up digital maturity	7,628			7,628
Front Line Digitisation	1,577			1,577
Critical Cybersecurity	373			373
Sub-Total Regional Allocations	57,831	27,347	20,090	105,268
Total System Capital	170,293	134,100	123,529	427,922

9.0 Productivity and efficiency

- 9.1 As stated in section 3.3 above, the financial arrangements include efficiency requirements in respect of the net growth applied to allocations of 1.1%. In order for the system to submit a balanced plan against the financial envelope provided, all providers and commissioners were required to include a minimum of 5% QIPP/CIP target for 2022-23. For the commissioning function, this is 5% of influenceable spend.
- 9.2 The total efficiency target included in the ICB plan is £51.0m, profiled in equal 12ths across the financial year. A breakdown of the efficiency plans is shown in **Table 4**.
- 9.3 The planning guidance recognises that clinical transformation is crucial to the delivery of the efficiency and productivity challenge over the next three years. It also sets out further information on the programmes available to support systems working together to deliver cost improvement plans and reduce unwarranted variation. In response to this, a number of system wide schemes have been identified supported by a formal delivery architecture structure.
- 9.4 The productivity and efficiency plan in the process of being finalised for the 2022-23 financial year. This is supplemented with a Plan Risk and Status table highlighting the % of unidentified schemes.

Table 4: Productivity and efficiency 2022-23

ICB Area of Efficiencies	Plan 2022-23 £000s
Demand Management (referrals)	4,092
Evidence based interventions	3,972
Pathway transformation	3,972
Continuing Healthcare - cost per case review	6,996
Continuing Healthcare - reducing out of area placements	6,996
Primary Care Prescribing	19,618
Transforming community-based primary care	2,404
GP IT transformation	402
Running / Programme cost reduction	2,540
Total Efficiencies - by scheme	50,992

ICB Efficiencies - Plan Risks & Status		Plan 2022-23 £000s
RISK	High	10,468
	Medium	25,524
	Low	15,000
Total Efficiencies by Risk		50,992
STATUS	Fully Developed	15,000
	Plans in Progress	25,524
	Opportunity	10,468
	Unidentified	-
Total Efficiencies by Plan Status		50,992
Unidentified as a % of total efficiencies		0%

10.0 Managing Financial Risk

- 10.1 The balanced financial plan does carry risk both in the delivery of the 5% efficiencies for all Providers and the ICB and in the planning assumptions.
- 10.2 The system risk has been identified as £178m, which needs to be managed during the year. To support this a system wide delivery Board has been established to oversee a small number of system wide programs to support the delivery of the plan.
- 10.3 There programmes being developed to support this system approach include a focus on intermediate / discharge plans, elective recovery, agency and locum spend, corporate collaboration and a focus on duplication and inefficiencies within a small number of clinical pathways.

11.0 Summary

- 11.1 A financial budget for the period 1 April 2022 to 31 March 2023 has been prepared which summarises the position for the twelve-month period. In addition, CCG plans were prepared and approved by all Governing Body's for the period 1 April 2022 to 30 June 2022 which plans for all CCGs achieving a balanced position and therefore achieving their statutory duty of break-even.
- 11.2 Overall, there remains a high level of risk associated with system cost pressures and efficiencies as detailed in section 9.0. Actions are being taken at both Provider Collaborative Board and ICB through the delivery board to ensure the delivery of an overall balanced position for the system.

12.0 Recommendations

- 12.1 The Lancashire and South Cumbria ICB is statutorily responsible for ensuring its expenditure does not exceed the budget allocated from NHS England for 2022-23 and for ensuring expenditure on administrative running costs is within the specified allowance. The ICB is asked to agree the budget for the period 1 April 2022 to 31 March 2023.

Sam Proffitt
ICB Chief Finance Officer
27 July 2022

APPENDIX A

NHS Planning Priorities for 2022-23

The NHS Operating Planning Guidance for 2022-23 was published on the 22 February 2022. The documentation sets out the overarching challenge for the financial year of restoring services, meeting the new care demands and reducing the care backlogs that are a direct consequence of the pandemic.

The goal is to significantly increase the number of people we are able to treat and care for in a timely manner, through increasing capacity and resources, adopting new models of care and working in partnership as systems to ensure the effective use of resources available across all care settings.

Effective partnership working across systems will be at the heart of the planning priorities and the financial framework arrangements and will therefore continue to support a system-based approach to funding and planning.

The objectives for 2022/23 are therefore based on a scenario where COVID-19 returns to a low level, which is recognised as a specific challenge for the Northwest region given the current level of infections and the demand on health care providers.

The NHS's financial arrangements for 2022-23 will continue to support a system-based approach to planning and delivery and will align to the new ICS boundaries agreed during 2021/22. Systems have been asked to focus on the following priorities for 2022-23.

- A. Invest in our workforce – with more people and new ways of working, and by strengthening the compassionate and inclusive culture needed to deliver outstanding care.
- B. Respond to COVID-19 ever more effectively – delivering the NHS COVID-19 vaccination programme and meeting the needs of patients with COVID-19.
- C. Deliver significantly more elective care to tackle the elective backlog, reduce long waits and improve performance against cancer waiting times standards.
- D. Improve the responsiveness of urgent and emergency care (UEC) and build community care capacity – keeping patients safe and offering the right care, at the right time, in the right setting. This needs to be supported by creating the equivalent of 5,000 additional beds, in particular through expansion of virtual ward models, and includes eliminating 12-hour waits in emergency departments (EDs) and minimising ambulance handover delays.
- E. Improve timely access to primary care – maximising the impact of the investment in primary medical care and primary care networks (PCNs) to expand capacity, increase the number of appointments available and drive integrated working at neighbourhood and place level.
- F. Improve mental health services and services for people with a learning disability and/or autistic people – maintaining continued growth in mental health investment to transform and expand community health services and improve access.
- G. Continue to develop our approach to population health management, prevent ill-health and address health inequalities – using data and analytics to redesign care pathways and measure outcomes with a focus on improving access and health equity for underserved communities.
- H. Exploit the potential of digital technologies to transform the delivery of care and patient outcomes – achieving a core level of digitisation in every service across systems.
- I. Make the most effective use of our resources – moving back to and beyond pre-pandemic levels of productivity when the context allows this.
- J. Establish ICBs and collaborative system working – working together with local authorities and other partners across their ICS to develop a five-year strategic plan for their system and places.

APPENDIX B

2022-23 Budget Book

Area of Spend	2022-23 £000's	Executive Lead	Tier 3 Lead
ICB Acute Service Expenditure			
Acute Services - NHS	(1,991,482)	Chief Finance Officer	Director of Operational Finance
Acute Services - Independent / Commercial Sector	(63,810)	Chief Finance Officer	Director of Operational Finance
Acute Services - Other Non - NHS	(10,756)	Chief Finance Officer	Director of Operational Finance
Acute Services - Other Net Expenditure	(10,952)	Chief Finance Officer	Director of Operational Finance
ICB Mental Health Service Expenditure			
Mental Health Services - NHS	(294,586)	Medical Director	Director of Mental Health
Mental Health Services - Independent / Commercial S	(89,226)	Medical Director	Director of Mental Health
Mental Health Services - Other Non - NHS	(6,140)	Medical Director	Director of Mental Health
Mental Health Services - Other Net Expenditure	(52,195)	Medical Director	Director of Mental Health
ICB Community Health Service Expenditure			
Community Health Services	(294,410)	Chief Finance Officer	Director of Operational Finance
ICB Continuing Care Service Expenditure			
Continuing Care Services	(194,594)	Chief Nursing Officer	Director of Adult Health & Care
ICB Primary Care Service Expenditure			
Prescribing	(270,017)	Medical Director	Chief Pharmacist
Community Base Services	(21,826)	Medical Director	Director of Primary Care
Out of Hours	(12,862)	Medical Director	Director of Primary Care
PC - Other	(7,243)	Medical Director	Director of Primary Care
GP IT Costs	(5,528)	Chief Digital Officer	Director of Digital Operations/Innovation
ICB Other Programme Service Expenditure			
Other Programme Services	(86,499)	Chief Executive Officer	Place Based Leaders
ICB Primary Medical Services Expenditure			
General Practice - GMS	(189,787)	Medical Director	Director of Primary Care
General Practice - PMS	(10,895)	Medical Director	Director of Primary Care
Other List-Based Services (APMS incl.)	(14,628)	Medical Director	Director of Primary Care
Premises cost reimbursements	(19,608)	Chief Finance Officer	Director of Estates
Other Premises costs	(9,220)	Chief Finance Officer	Director of Estates
Enhanced services	(21,716)	Medical Director	Director of Primary Care
QOF	(24,205)	Medical Director	Director of Primary Care
£1.50 per head PCN Development Investment	(26,167)	Medical Director	Director of Primary Care
Other - GP services	(4,772)	Medical Director	Director of Primary Care
ICB Running Costs			
Running costs - Pay	(19,168)	All Executive's	TBC once all structures are finalised
Running costs - Non Pay	(13,057)	Chief Executive Officer	Chief Finance Officer
ICB Reserves / Contingencies			
Reserves	0		
Contingencies	(13,906)	Chief Finance Officer	Director of Operational Finance
Total ICB Expenditure	(3,779,255)		