

Integrated Care Board

Date of meeting	27 July 2022
Title of paper	2022/23 Financial Plan
Presented by	Sam Proffitt, Chief Finance Officer
Author	Sam Proffitt, Chief Finance Officer
Agenda item	11
Confidential	No

Purpose of the paper		
The purpose of the paper is to set out the key areas of the financial plan including the risk to the delivery of a breakeven position in 2022/23 and the mitigating action.		
Executive summary		
<p>The ICB is planning for a breakeven position on its £3.8bn allocation in 2022/23. The financial risk in the financial plan is high with a requirement of a 5% (£186.7m) efficiency delivery across the system and the management of a further £178m risk</p> <p>This risk is largely associated with the operational pressures remaining in the system whilst implementing the planned reduction of temporary capacity which was put in place to support the pandemic in 2021/22.</p> <p>A number of opportunities have been identified for the system to reduce costs and a focused approach to delivering a number of priority efficiency programmes is required to deliver the plan. These plans will all be quality impact assessed to ensure there is no detriment to quality and in many cases will support quality improvement.</p> <p>A Delivery Board has been established to provide the system wide focus and regular updates on the progress of this work will be reported to the Board.</p>		
Recommendations		
The Board is asked to note the report, the risk and the mitigating actions.		
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

2022-23 Financial Plan

1.0 Introduction

The purpose of this paper is to present the key elements of the 2022/23 financial plan for Lancashire and South Cumbria ICB. It also explains the risk and required mitigations to deliver the planned financial break-even position.

The current financial challenge for the system requires plans to be delivered which build on a number of identified opportunities to address inefficiencies, reduce costs and optimise funding opportunities.

2.0 Financial Year 2021/22

During 2021/22, the system set a target to breakeven with the support of the system top up (Sustainability) funding and Covid funding. The planning was completed in two half years, April 2021 to September 2021 (H1) and October 2021 to March 2022 (H2). Despite a significant planning challenge the system came together to agree a balance plan for both parts of the year which successfully delivered.

Significant savings of £125m were achieved during 2021/22 to enable the breakeven balanced position. This was achieved by every organisation. However, the operational challenges during the year resulted a high level of those savings being delivered as 'one off' rather permanent reductions in costs. This has consequently impacted on the opening 2022/23 financial year as those savings plans are still required to be delivered on a recurrent ongoing basis.

3.0 Financial Plan 2022/23

The Lancashire and South Cumbria ICB's operational plan for 2022/23, was submitted in line with agreed national planning timescales on 20th June 2022. This incorporated a balanced financial plan against a £3.8bn allocation which is presented in **Table 1**.

Table 1 – Lancashire and South Cumbria ICB Financial Allocation 2022/23

ICB Allocation split by categories	Total:	Of which is:	
	Value	Agreed	Indicative
	Plan 31/03/2023 Year Ending £'000	Plan 31/03/2023 Year Ending £'000	Plan 31/03/2023 Year Ending £'000
Recurrent			
ICB Programme Allocation	3,181,035	3,181,035	-
Ockenden Funding	2,453	2,453	-
Primary Medical Care Services	294,831	294,831	-
Running Costs	32,225	32,225	-
ICB Programme Allocation – Additional Funding	35,094	35,094	-
Total ICB recurrent Allocation	3,545,638	3,545,638	-
Non-Recurrent			
Health Inequalities Funding	7,916	7,916	-
Elective Services Recovery Funding	60,552	60,552	-
COVID Funding	74,779	74,779	-
Service Development Fund (SDF)	76,805	49,883	26,922
ICB Programme Allocation – Additional Funding	13,565	13,565	-
Total ICB Non-Recurrent Allocation	233,617	206,695	26,922
Total ICB Allocations	3,779,255	3,752,333	26,922

The Budget for the ICB has been reported in a separate paper to the Board which outlines the planning assumptions, expenditure budgets and efficiency plans.

3.1 Financial pressures highlighted during the planning stage

In addition to the non-recurrent delivery of savings in 2021/22 there were other issues that contributed to the challenges in the 2022/23 financial plan. The main challenges were: -

- The additional capacity opened during the pandemic and across the winter period remained in place as Covid numbers, staff absences and delayed discharges continued to be high at planning stage into the first part of the year. The temporary covid and hospital discharge funding was reduced in line with the expectation that covid activity costs could be reduced.
- Inflationary pressures were identified by all organisations during the planning stage, particularly in light of energy costs, non-pay and contract uplifts. Further funding was provided through the settlement to support the pressure. Increases in inflation above this level remain a risk.

The planning guidance required organisations to include a 1.1% efficiency target. In order to address the pressures identified at planning stage and support a balanced plan, a 5% efficiency target was set for all organisations totalling £186.7m. This is shown by organisation in **Table 3**.

Table 3 – Savings requirement in the 2022-23 plan

	BTH	ELHT	LSCFT	LTH	NWAS	UHMB	TOTAL TRUST	ICB	SYSTEM TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
EFFICIENCY REQUIREMENT	24.00	28.80	18.30	26.30	15.50	22.80	135.70	51.00	186.70

Each organisation were required to develop schemes to deliver these efficiency savings targets. Whilst these are fully developed and implemented, a range of non-recurrent measures are supporting the delivery during the year. It is essential that these have a full recurrent impact by the end of the year. All schemes are required to be quality impact assessed to ensure they do not have a detrimental impact on quality and where possible also drive improvements in quality.

All organisations have been asked to provide details by the end of July to evidence how these schemes will delivered recurrently by December 2022 to ensure the full 5% is reduced from expenditure fully as the system enters 2022/23. The work on the agency staffing reduction features in these plans. This is an essential system wide programme of work to support quality improvement and the delivery of the savings plans.

4.0 System Risks

As described in this paper the financial pressures entering 2022/23 have included the non-delivery of recurrent savings from 2021/22, funding reductions and inflationary pressures.

In order to deliver a balanced plan, action is needed to be taken to reduce the excess and unfunded capacity in the system. A planning risk of £178m was identified which is shown by organisation in **Table 4**.

Table 4 – Planning risk after 5% efficiency by organisation

	BTH	ELHT	LSCFT	LTH	NWAS	UHMB	TOTAL TRUST	ICB	SYSTEM TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
PLANNING RISK	- 18.80	- 19.10	- 14.50	- 26.70	-	- 34.80	- 113.90	- 64.00	- 177.90

This risk largely reflects the challenge in light of operational pressures of reducing the temporary excess capacity in line with funding reductions.

This required a clear focus by all organisations to work together on a small number of system wide programmes to mitigate the risk.

5.0 Mitigations and the Delivery Board

Opportunities do exist to support the level of efficiency required. During 2021/22 the system identified three key initiatives that could drive efficiency and reduce waste. These areas would support the delivery of the efficiency savings targets. From a quality impact assessment, each of these areas would improve quality and reduce costs simultaneously.

These were: -

1. Sustainable **workforce**: - to address the significant use of high-cost locum and agency through workforce initiatives.
2. **Clinical** excellence – using right care, getting it right first time (GIRFT) and model hospital data to address a number of highly inefficient services whilst driving quality and clinical effectiveness; and
3. **Corporate** opportunities through working collaboratively across providers. This was further tested and supported through a benchmarking exercise using model hospital data.

In order to support the delivery of a balanced plan the Delivery Board was established to focus on system wide efficiency opportunities. This is co-chaired by the ICB Chief Officer and the Provider Collaborative Lead Chief Executive. Five key programmes have been established to support the in-year delivery and longer-term financial sustainability.

The programmes are summarised in **Diagram1**.

Diagram 1 – The Five Priority Savings Programmes

ICB Delivery Board 5 Priority Savings Programmes



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All five priority schemes for the system have been identified as the priority focus for efficiency savings with dedicated resources and clear programme plans for delivery being implemented.

The schemes are expected to be multiyear to support the delivery of the plan in 2022/23 but also the longer-term financial sustainability.

The progress against the delivery of these schemes will be reported to the Board as part the financial report.

6.0 Recommendations

The Board is asked to note the report, the risk and the mitigating actions.

Sam Proffitt

ICS Chief Finance Officer