

Integrated Care Board

Date of meeting	7 September 2022
Title of paper	Finance Performance Report – Month 4
Presented by	Sam Proffitt, Chief Finance Officer
Author	Katherine Disley, Director of Operational Finance
Agenda item	Item 6
Confidential	No

Purpose of the paper
<p>This paper reports on the month 4 financial performance for the Lancashire & South Cumbria system. It covers revenue and capital positions, delivery against efficiency targets and an update on progress against mitigating financial risk.</p>
Executive summary
<p>As at the end of July 2022 (month 4) the ICB is £12.4m off the expected plan position. This position is largely driven by slippage against savings plans for all organisations.</p> <p>Provider expenditure runs rates across the system have increased by 2.7% reflecting an increase in temporary staffing costs associated with sickness levels and staffing escalated beds.</p> <p>The risk to the financial position by the end of the year was assessed as £178m at the time of planning. The risk has reduced to approximately £70m at month 4 which assumes delivery against the roadmap of opportunities including savings plans and system wide schemes. Further work is being done through the Delivery Board to monitor the actions and deliver the year end forecast breakeven position.</p> <p>The operational pressures in the system are impacting on the financial positions but all organisations are working to deliver their plans with a focus on ensuring recurrent impact as we enter into 2023/24. This action along with the recurrent system wide schemes should support the longer-term financial sustainability whilst maintaining or improving quality outcomes.</p> <p>A Mental Health Investment update is provided in the report highlighting that there has been no funding reduction to the Mental Health provider contract and the ICB continue to fully commit to the Mental Health Investment Standard. The non-delivery of recurrent savings in previous years along with ongoing operational pressures and an increasing cost base has resulted in financial pressures across the system. This is for all providers, including the main mental health provider, with a high level of savings plans (5%) required and a system wide response to mitigating further financial risks.</p>
Recommendations

The Board is asked to note the report.				
Governance and reporting (list other forums that have discussed this paper)				
Meeting	Date			Outcomes
ICB Executive Meeting	30 August 2022			Supported the paper for the Board
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			N/a	
Equality impact assessment completed			N/a	
Privacy impact assessment completed			N/a	
Financial impact assessment completed			N/a	
Associated risks	Yes			
Are associated risks detailed on the ICS Risk Register?	Yes			
Report authorised by:	Sam Proffitt, Chief Finance Officer			

Integrated Care Board – 7 September 2022

Finance Performance Report – Month 4

1.0 Introduction

1.1 This paper provides an update on the latest reported financial position, an assessment of the risks and provides details on the actions required to ensure the system can achieve its 2022-23 financial targets and support financial recovery.

2.0 Current Financial Performance

2.1 At the end of month 4, the Integrated Care Board (ICB) is reporting a deficit of £47.9m which is £12.4m worse than plan.

2.2 Providers are reporting a cumulative deficit of £33.5m which is £16.2m worse than plan with all providers, except NWS, being behind plan. The key drivers of this position are CIP delivery shortfall, temporary staffing costs and some of the risks that were identified at planning stage materialising in terms of operational pressures.

2.3 At the end of Q1, the former Clinical Commissioning Groups (CCGs) reported a collective deficit of £20.6m. The plan for the ICB, assumes a straight-line reduction of this deficit position over the remaining 9 months of 2022/23 to achieve breakeven by the end of the financial year. At month 4, the ICB is reporting a year-to-date deficit of £14.5m which is an improvement of £3.9m against the deficit plan of £18.3m.

2.4 The year-to-date and forecast outturn summary position is provided at **Table 1** below.

Table 1: Summary financial position

ORGANISATION	MONTH 4					
	Plan YTD £m	Actual YTD £m	Variance YTD £m	Plan FOT £m	Actual FOT £m	Variance FOT £m
Blackpool Teaching Hospitals NHS Foundation Trust	(6.0)	(7.9)	(1.9)	0	0	0
East Lancashire Hospitals NHS Trust	0.0	(5.0)	(5.0)	0	0	0
Lancashire and South Cumbria NHS Foundation Trust	(3.4)	(8.1)	(4.6)	0	0	0
Lancashire Teaching Hospitals NHS Foundation Trust	(4.1)	(7.8)	(3.7)	0	0	0
North West Ambulance Service NHS Trust	0.0	0.2	0.2	0	0	0
University Hospitals of Morecambe Bay NHS Foundation Trust	(3.8)	(5.0)	(1.1)	0	0	0
Provider Sub-Total	(17.2)	(33.5)	(16.2)	0	0	0
ICB	(18.3)	(14.5)	3.9	0	0	0
ICB TOTAL	(35.6)	(47.9)	(12.4)	0	0	0

2.5 The forecast position remains to deliver breakeven as per the plan. The level of risk identified at planning stage continues to reduce as organisations work together to mitigate the risks.

2.6 In addition to organisation’s own efficiency plans the system is working together on five system wide schemes to support quality improvement and cost reduction. As these schemes mature and begin to deliver, the financial risk is expected to further reduce.

3.0 Run-Rate Monitoring for Providers

3.1 The ICB undertakes a monthly collection of run rate data to help understand the monthly financial performance of each of our providers. The provider summary chart for months 1 to 4 is shown in **Table 2** below.

Table 2: Provider expenditure run rate

ORGANISATION	2021-22 M1 - 11 Average	2022-23 Expenditure Run Rate				M4 v M1 - 11 Average	%
		M1	M2	M3	M4		
Blackpool Teaching Hospitals NHS Foundation Trust	50,167	49,970	49,970	51,729	54,501	4,333	8.6%
East Lancashire Hospitals NHS Trust	55,578	55,752	55,752	56,338	55,695	117	0.2%
Lancashire and South Cumbria NHS Foundation Trust	38,226	41,462	41,463	42,303	39,195	969	2.5%
Lancashire Teaching Hospitals NHS Foundation Trust	58,759	59,026	59,026	59,028	59,321	562	1.0%
North West Ambulance Service NHS Trust	37,401	38,641	38,641	37,597	37,965	564	1.5%
University Hospitals of Morecambe Bay NHS Foundation Trust	41,158	44,717	44,717	43,490	42,446	1,288	3.1%
TOTAL	281,289	289,567	289,568	290,485	289,123	7,834	2.7%

3.2 The data shows that month 4 levels of expenditure are 2.7% higher than the month 1-11 average for 2021-22 (month 12 is excluded as this included non-recurrent costs such as pension provisions and other year-end accruals).

3.3 The biggest increase is at Blackpool Teaching Hospitals where costs in month 4 were 8.6% higher than month 1 to month 11 last year. This is primarily driven by temporary staffing costs linked to sickness and escalated beds.

3.4 Other Providers are also increasing to varying levels

4.0 Efficiencies

4.1 A summary outlining month 4 efficiency performance is show in **Table 3**. As at month 4, savings of £40.4m have been delivered across the ICB which is an overall adverse variance of £11.4m year-to-date. Provider savings plans are £5.8m behind plan and ICB savings plans are £5.6m behind plan.

4.2 Provider recurrent savings plans are £15.1m behind plan which is partially offset by non-recurrent efficiencies which are £9.2m ahead of plan. Developing plans to deliver the savings target recurrently from Q4 is essential to prevent pressures building in future years. This has been a key focus of the provider assurance meetings. Whilst

some non-recurrent actions have supported the position this year all organisations are asked to ensure these are firmly in place recurrently by December 2022.

4.3 The full year forecast for all organisations is to achieve the in-year savings target.

Table 3: Efficiency performance

ORGANISATION	2022-23 Plan £m	MONTH 4					FOT	
		YTD Plan £m	YTD Recurrent £m	YTD Non-Rec £m	YTD Total £m	Variance to plan £m	FOT Total £m	Variance to plan £m
Blackpool Teaching Hospitals NHS Foundation Trust	24.0	4.8	0.9	3.9	4.8	0.0	24.0	0.0
East Lancashire Hospitals NHS Trust	28.8	9.6	0.6	8.2	8.8	(0.8)	28.8	0.0
Lancashire and South Cumbria NHS Foundation Trust	18.3	4.7	0.4	2.2	2.6	(2.1)	18.3	0.0
Lancashire Teaching Hospitals NHS Foundation Trust	26.3	8.8	0.4	5.5	5.9	(2.8)	26.3	0.0
North West Ambulance Service NHS Trust	15.5	3.5	0.4	3.1	3.5	0.0	15.5	0.0
University Hospitals of Morecambe Bay NHS Foundation Trust	22.8	3.5	2.3	1.1	3.3	(0.1)	22.8	0.0
Provider Sub-Total	135.7	34.9	5.0	24.0	29.0	(5.8)	135.7	0.0
ICB	51.0	17.0	1.2	10.2	11.4	(5.6)	51.0	0.0
ICB TOTAL	186.7	51.9	6.2	34.2	40.4	(11.4)	186.7	0.0

5.0 System Wide Schemes

5.1 The five system wide schemes were described in the July Finance Board paper to the ICB. A high-level update on each is provided in this section.

5.2.1 Portfolio 1, System Flow. A Steering Group has been formed with colleagues from primary, secondary, and social care working together to develop plans that will enable more people to be provided the care they need in the right place at the right time. This will take pressure off the number of additional, unfunded, acute beds that are open.

5.2.2 Portfolio 2, Elective Care Recovery. Work continues identifying productivity and mutual aid initiatives that will support Trusts in their efforts to undertake at least 104% of pre-pandemic elective activity. Some further details of the work are expected to be brought to the ICB Delivery Board in early September.

5.2.3 Portfolio 3, Streamlining Clinical / Care Networks. While this is a longer-term piece of work that will increasingly be shaped by the Improvement Hub, there is activity taking place to determine how best to use Getting It Right First Time (GiFRT) evidence to 'level up' performance across many of our Clinical Networks.

5.2.4 Portfolio 4, Corporate Platforms. With leadership from the Provider Collaborative, this portfolio is examining short term efficiency opportunities using benchmark data to focus on where there appears to be variation in service delivery. Work also continues on developing a longer-term vision for how the ICB can best deliver these essential services to maximise the value realised from them.

5.2.5 Portfolio 5, Collaboration at Scale. We are developing plans that will enable us to undertake a review of overdue continuing health care (CHC) cases, work together to realise efficiencies from medicines optimisation and working with Providers to examine how we maximise the benefits we get from our actions to reduce the temporary workforce.

- 5.3 Bringing together the five portfolios identified above plus some other opportunities for short term financial gains, a financial recovery roadmap has been developed. Working closely with Directors of Finance across the system, and with clear responsibilities and accountabilities for delivery, the roadmap will enable the system to take a view on the most likely residual full year risk.
- 5.4 Updates on the progress being made on the roadmap and each of the five areas of focus will feature on the ICB Board's agenda each month.

6.0 Quality and equality impact Assessments

- 6.1 The ICB Quality team are currently finalising an ICB Quality Impact Assessment (QIA) and Equality Impact Assessment (EIA) template and process for undertaking impact assessments against system schemes. For system schemes, the ICB quality team will oversee completion of these, and review completed proformas. Any concerns that require further discussion or exploration will be taken through ICB Quality Committee.
- 6.2 The Quality team will also monitor ongoing implementation of schemes to ensure that any actions outlined in QIAs and EIAs as necessary to mitigate quality and equality impact are taken. Some schemes will require actions within providers as well as system action. For actions and savings plans within providers the internal Trust processes for each organisation will be taken with oversight through Trust Boards.

7.0 Capital

- 7.1 As at month 4, there is a year-to-date underspend against the profiled capital allocation of £2.1m (11%), with the biggest underspend being with University Hospitals Morecambe Bay of £1.7m (34%). The current levels of capital spend by provider is shown at **Table 4**.
- 7.2 The forecast remains to spend the full capital allocation which will be adjusted at month 5 to reflect an increase of £7.6m in relation to Reinforced Autoclave Aerated Concrete (RAAC) at East Lancashire Hospitals Trust. This funding is to replace a roof under the RAAC scheme.

Table 4: Charge against capital allocation

ORGANISATION	MONTH 4				MONTH 4				
	Plan YTD	Actual YTD	Variance YTD		Plan FOT	Actual FOT	RAAC Funding	Variance FOT	
	£m	£m	£m	%	£m	£m	£m	£m	%
Blackpool Teaching Hospitals NHS Foundation Trust	4.0	4.5	(0.5)	(11%)	26.4	26.4		0.0	0%
East Lancashire Hospitals NHS Trust	2.0	1.8	0.2	8%	12.1	19.7	7.6	0.0	0%
Lancashire and South Cumbria NHS Foundation Trust	3.1	2.2	0.9	28%	8.4	8.4		0.0	0%
Lancashire Teaching Hospitals NHS Foundation Trust	2.8	2.0	0.7	26%	23.2	23.2		0.0	0%
North West Ambulance Service NHS Trust	2.7	3.7	(0.9)	(34%)	20.3	20.3		0.0	0%
University Hospitals of Morecambe Bay NHS Foundation Trust	5.1	3.3	1.7	34%	20.1	20.1		0.0	0%
PROVIDER TOTAL	19.7	17.6	2.1	11%	110.5	118.2	7.6	0.0	0%

8.0 Risks

- 8.1 All organisations at month 4 are forecasting to achieve the planned year-end breakeven position, however, there remains a high level of risk associated with achieving this.
- 8.2 The planning risk at the start of the year was of £178m across Providers and the ICB. The collective ownership of identifying and delivering mitigations to offset this risk is discussed with all providers as part of the monthly assurance process.
- 8.3 A roadmap of the opportunities to mitigate the risk through the system wide schemes is reviewed collectively each month by all organisations. At month 4 this risk was assessed and reduce to c.£70m. Work is continuing to try to mitigate this further as the schemes mature.
- 8.4 The focus will remain on delivery against the system wide efficiency programmes and maximising the opportunity available to reduce current run rate expenditure levels to ensure full mitigation of excess inflationary pressures.

9.0 Mental Health Investment Update

- 9.1 The Board may be aware of recent media coverage which suggested that funding has been reduced in our mental health services.
- 9.2 Mental health remains a key priority for Lancashire and South Cumbria ICB and the Mental Investment Standard continues to be fully met with the required Investment built into the 2022/23 Financial Plan.
- 9.3 The 2022/23 Financial Plan presented to the Board on 27 July 2022 set out the challenges in setting the balanced financial plan for 2022/23. It reported that the majority of 2021/22 savings plans were not delivered recurrently leading to a pressure in 2022/23 on top of the further efficiency requirements set out in the planning guidance.
- 9.4 This along with continued operational pressures and an increasing cost base resulted in a high level of financial risk for all organisations within the system.
- 9.5 There has not been any reduction in contract funding for the Lancashire and South Cumbria Mental Health Trust as recurrent contracts for all Trusts were rolled forward from the previous year.
- 9.5 In line with other Trusts, LSCFT delivered the majority (74%) of the 2021/22 savings targets non recurrently and has seen an increasing cost base which has required a higher level of savings (5%) in 2022/23.
- 9.6 The Provider Trusts, including LSCFT, identified further financial risks at planning stage and it was agreed by all organisations that system wide solutions and schemes would be developed and implemented to mitigate this risk. This has required all organisations to work together, and the system wide schemes are discussed earlier in this paper.
- 9.7 The Infection prevention control requirements meant that dormitory accommodation could not be kept open during the covid pandemic driving an increase in out of areas

placements. Non-recurrent funding support has been provided throughout the pandemic for the Trust to manage the financial pressures while the dormitories have been closed and refurbished.

9.8 LSCFT is continuing to work closely with the ICB and system partners to support the delivery of the financial plan and continue to reduce the out of area placements as dormitories and new capacity is opened during the year.

10.0 Recommendations

10.1 The Lancashire and South Cumbria ICB is asked to note the content of this report.

Sam Proffitt
ICB Chief Finance Officer
26 August 2022