

Integrated Care Board

Date of meeting	12 October 2022
Title of paper	Finance Performance Report – Month 5
Presented by	Sam Proffitt, chief finance officer
Author	Katherine Disley, director of operational finance
Agenda item	7
Confidential	No

Purpose of the paper
This paper provides an update on the latest reported financial position at the end of August 2022, an assessment of the risks and details on the actions required to ensure the system can achieve its 2022-23 financial targets.
Executive summary
<p>As at the end of August 2022 (month 5) the ICB is £35.1m 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 3.5% 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 £177m at the time of planning. The risk was assessed at Month 4 and reduced to approximately £70m. This has remained unchanged at month 5 and assumes delivery against the roadmap of opportunities including organisational savings plans and system wide savings schemes. Further work is being done through the Delivery Board to monitor the actions and a number of key actions have been identified.</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 aims to support the longer-term financial sustainability whilst maintaining or improving quality outcomes.</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	4 October 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 – 12 October 2022

Finance Performance Report – Month 5

1.0 Introduction

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

2.0 Current Financial Performance

- 2.1 At the end of month 5, the Integrated Care Board (ICB) is reporting a deficit of £52.6m which is £35.1m worse than plan. The variance against plan presents a large movement from £12.4m at month 4 to £35.1m at month 5.
- 2.2 This is largely due to a required change to the plan for the ICB enacted nationally rather than a deterioration in month.
- 2.3 As previously reported, at the end of Q1 the former Clinical Commissioning Groups (CCGs) reported a collective deficit of £20.6m which means the ICB must report a surplus over the remainder of the year to deliver against the full year balanced plan. This pressure was driven largely by the profile of the savings schemes and the pressure on packages of care in the first quarter.
- 2.4 At month 4, our ICB plan assumed this deficit position which then decreased as it recovered over the remaining 9 months of 2022/23. However, a change to reported plans has now been enacted nationally which requires us to report against a balanced plan across the full year. As such, at month 5 the ICB is reporting a cumulative deficit of £19.2m which is £19.2m behind plan. This is made up of the £20.6m CCG pressure at Q1 offset by a small ICB surplus of £1.4m. The current £19.2m deficit will need to be recovered over the remaining 7 months of the year.
- 2.5 Providers are reporting a cumulative deficit of £33.4m which is £15.9m worse than plan. All providers except North West Ambulance Service (NWAS) are currently behind plan. The key drivers of this position are the high level of current operational pressures including the ongoing Covid activity above planning levels. This has negatively impacted upon the delivery of Cost Improvement Plans (CIPs) and the ability to earn non-NHS income, driven increased temporary staffing costs and some of the risks that were identified at planning stage to close unfunded capacity are now materialising.

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

Table 1: Summary financial position

ORGANISATION	MONTH 5					
	Plan YTD £m	Actual YTD £m	Variance YTD £m	Plan FOT £m	Actual FOT £m	Variance FOT £m
Blackpool Teaching Hospitals NHS Foundation Trust	(7.1)	(10.8)	(3.7)	0	0	0
East Lancashire Hospitals NHS Trust	0.2	(2.5)	(2.8)	0	0	0
Lancashire and South Cumbria NHS Foundation Trust	(2.7)	(7.9)	(5.2)	0	0	0
Lancashire Teaching Hospitals NHS Foundation Trust	(3.7)	(8.0)	(4.3)	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	(4.3)	(4.4)	(0.1)	0	0	0
Provider Sub-Total	(17.5)	(33.4)	(15.9)	0	0	0
ICB	0.0	(19.2)	(19.2)	0	0	0
ICB SYSTEM TOTAL	(17.5)	(52.6)	(35.1)	0	0	0

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

2.8 In addition to each organisation's own efficiency plans the system is working together on five system wide schemes to support quality improvement and cost reduction. The Board will be receiving updated on each of the programmes and their progress starting at the November Board.

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 5 is shown in **Table 2** below. It shows the run actual run rate and then the run rate adjusted for newly received income to support specific additional expenditure.

Table 2: Provider expenditure run rate

ORGANISATION	2022-23 Expenditure Run Rate									Adjusted* M5 v M1-11 Average	%
	2021-22 M1 - 11 Average	M1	M2	M3	M4	M5	M5 v M1 - 11 Average	%			
Blackpool Teaching Hospitals NHS Foundation Trust	50,167	49,970	49,970	51,729	54,501	53,114	2,947	5.9%	2,947	5.9%	
East Lancashire Hospitals NHS Trust	55,578	55,752	55,752	56,338	55,695	56,274	696	1.3%	696	1.3%	
Lancashire and South Cumbria NHS Foundation Trust	38,226	41,462	41,463	42,303	39,195	41,468	3,242	8.5%	3,077	8.0%	
Lancashire Teaching Hospitals NHS Foundation Trust	58,759	59,026	59,026	59,028	59,321	62,252	3,493	5.9%	993	1.7%	
North West Ambulance Service NHS Trust	37,401	38,641	38,641	37,597	37,965	38,555	1,154	3.1%	1,154	3.1%	
University Hospitals of Morecambe Bay NHS Foundation Trust	41,158	44,717	44,717	43,490	42,446	41,996	838	2.0%	838	2.0%	
TOTAL	281,289	289,567	289,568	290,485	289,123	293,659	12,370	4.2%	9,705	3.5%	

* Adjusted to remove income backed variances of £2.7m

3.2 The data shows that month 5 expenditure adjusted for specific income backed expenditure is 3.5% higher than the month 1-11 average for 2021-22.

- 3.3 The uplift to contracts to cover inflation net of efficiency requirements is 2.4% so to achieve a balance plan this year it is expected that the run rate does not rise above this level. The increases in run rate reflect the variances to plan.
- 3.4 Although the biggest increase is at Lancashire and South Cumbria Foundation Trust (LSCFT) where costs in month 5 were 8.0% higher than month 1 to month 11 last year, this is distorted by the Mental Health Investments made. The Mental Health Investment increased from month 8 in 2021-22. A better comparison for this Trust would be to compare month 5 to the average of month 8 to month 11 last year. This comparison shows the increase is £0.5m (1%).
- 3.5 Blackpool Teaching Hospitals (BTH) are also significantly higher than the expected rate which relates to the unfunded escalation costs that the Trust has not been able to reduce due to the higher numbers of people delayed in beds compared to last year. The Trust has continued to strengthen urgent care and elective restoration programmes.

4.0 Efficiencies

- 4.1 A summary outlining month 5 efficiency performance is show in **Table 3**. As at month 5, savings of £52.5m have been delivered across the ICB which is behind plan by £14.4m after the first 5 months. This shows a deterioration since month 4 when the ICB was £11.4m behind plan. Provider savings plans are £5.9m behind plan and ICB savings plans are £8.5m behind plan.
- 4.2 Provider recurrent savings plans are £18.1m behind plan which is partially offset by non-recurrent efficiencies which are £12.2m ahead of plan. Developing plans to deliver the savings target recurrently from Quarter 4 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 5					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	6.5	1.7	4.9	6.5	0.0	24.0	0.0
East Lancashire Hospitals NHS Trust	28.8	12.0	1.0	11.1	12.0	0.0	28.8	0.0
Lancashire and South Cumbria NHS Foundation Trust	18.3	6.6	1.1	2.4	3.5	(3.1)	18.3	0.0
Lancashire Teaching Hospitals NHS Foundation Trust	26.3	11.0	0.7	7.7	8.4	(2.6)	26.3	0.0
North West Ambulance Service NHS Trust	15.5	4.7	0.7	3.9	4.7	0.0	15.5	0.0
University Hospitals of Morecambe Bay NHS Foundation Trust	22.8	4.8	3.3	1.3	4.6	(0.2)	22.8	0.0
Provider Sub-Total	135.7	45.6	8.5	31.2	39.7	(5.9)	135.7	0.0
ICB	51.0	21.2	1.5	11.3	12.8	(8.5)	51.0	0.0
ICB TOTAL	186.7	66.9	9.9	42.6	52.5	(14.4)	186.7	0.0

5.0 Quality and Equality Impact Assessments

- 5.1 The ICB Quality team are linking with leads for the key system programmes to ensure robust Equality Impact Assessments and Quality Impact Assessments have

been completed, these will be reviewed by the quality team and any escalations taken through the Quality Committee.

6.0 Capital

underspend against the profiled capital underspend is with Lancashire Teaching this is a phasing issue with the original plan end of the year. The current levels of capital **Table 4.**

6.1 As at month 5, there is a year-to-date allocation of £14m (36%). The largest Hospitals at £7.8m (75%), however submission and will be spent by the spend by provider are shown in

6.2 The forecast remains to spend the full capital allocation and an adjustment to reflect an increase of £7.6m is expected in relation to Reinforced Autoclave Aerated Concrete (RAAC) at East Lancashire Hospitals Trust (ELHT). This funding is to replace a roof under the RAAC scheme.

Table 4: Charge against capital allocation

ORGANISATION	MONTH 5				MONTH 5				
	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	6.1	6.4	(0.3)	(5%)	26.4	26.4		0.0	0%
East Lancashire Hospitals NHS Trust	3.7	2.6	1.2	31%	12.1	19.7	7.6	0.0	0%
Lancashire and South Cumbria NHS Foundation Trust	4.4	2.7	1.7	39%	8.4	8.4		0.0	0%
Lancashire Teaching Hospitals NHS Foundation Trust	10.5	2.7	7.8	75%	23.2	23.2		0.0	0%
North West Ambulance Service NHS Trust	8.2	5.8	2.3	29%	20.3	20.3		0.0	0%
University Hospitals of Morecambe Bay NHS Foundation Trust	6.3	5.0	1.3	20%	20.1	20.1		0.0	0%
PROVIDER TOTAL	39.2	25.2	14.0	36%	110.5	118.2	7.6	0.0	0%

7.0 Risks and Mitigating Actions

- 7.1 All organisations at month 5 are forecasting to achieve the planned year-end breakeven position, however, there remains a high level of risk associated with achieving this.
- 7.2 At the July Board it was reported that the £177m risk identified at planning stage had been reduced to £70m and a collective process using a roadmap of opportunities had enabled a shared risk approach to mitigating the planning risk.
- 7.3 This level of risk remains unchanged at month 5.
- 7.4 The key risks and actions are as follows.

- i) The savings plans are underdelivering in the Providers and the ICB with the majority of delivered savings being achieved non recurrently. This not only creates a significant pressure into future years but removes the flexibility of using any available non recurrent support to manage the original planning risks.

Action: - Every Provider and ICB Board and Chief Executive Officer needs to ensure plans are in place for full delivery of the savings plans and ensure they are delivered recurrently by the final quarter of 2022/23 to avoid pressures emerging in 2022/23.

- ii) The bank and agency savings in Portfolio 5 are a significant enabler to delivering the recurrent savings in providers and this is not yet taking effect. The plans to reduce temporary workforce need to be accelerated.

Action: - The procurement of the new model for a workforce bank needs to be undertaken this month to accelerate the delivery of the quality and financial benefits.

- iii) The system wide schemes are beginning to be implemented but are not yet delivering the savings required to fully mitigate the planning risk. A significant amount of work is required in the last half of the year to mitigate the remaining financial risk. In particular, the ability to reduce costs through system flow in Portfolio one and drive activity through elective recovery work in Portfolio two need continued focus. These two programmes of work are expected to mitigate £40m across this year but no savings have yet been delivered.

Action: - The Delivery Board has asked for a clear trajectory of savings associated with patient flow and detailed plans to optimise the elective recovery activity and funding are required.

- iv) Plans for the remaining two portfolios for streamlining clinical networks (portfolio 3) and the corporate platform (Portfolio 4) need to continue to have focus to ensure plans start to deliver savings as we move into 2023-24.

Action: - The Delivery Board to ensure these programmes have clear timelines and trajectory for savings from 2023/24.

7.5 The risks identified at planning stage are largely profiled into the last half of the year and as such there is significant risk to the outturn position of breakeven unless further actions are identified and taken to mitigate the residual risk.

7.6 A full review of the risks is being undertaken to assess the month 6 position.

8.0 Recommendations

8.1 The Lancashire and South Cumbria ICB is asked to note the content of this report and the actions required to mitigate the financial risk.

Sam Proffitt

ICB chief finance officer

12 October 2022