

Integrated Care Board

Date of meeting	2 November 2022
Title of paper	Finance Report – Month 6
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 reports on the month 6 financial performance for the Lancashire & South Cumbria system.

Executive summary

The Integrated Care Board (ICB) is reporting a system deficit of £61.2m which is £43.1m worse than plan. This represents a current pressure of £19.2m for the ICB and £23.9m across the Provider Trusts.

There are plans to address the pressures within the ICB statutory body. A number of actions have been put in place to manage the pressures and deliver the required savings plans. The greatest risk for the ICB is the increasing number and costs of Continuing Health Care Packages of Care with a significant focus being placed in this area to introduce a new model.

The current risk level of £70m for the system, which reduced from £177m at the start of the year, remains unchanged at the end of month 6. A detailed review of the financial position is being undertaken at month 6 and all organisations are submitting key data to support this by the end of October. Through a detailed and forensic analysis of the financial position in the ICB and providers, the level of risk will be reassessed at month 7 and reported to the December Board.

A number of actions have been taken to tighten the financial controls across the system along with a deep dive into the finances at the University Hospitals of Morecambe Bay Foundation Trust. This work supported a reduction in the initial level of risk for the Trust and has informed the detailed financial review of all organisations at month 6.

There is a recognition of the impact of the current operational pressures on the ability to fully mitigate the risk. This is particularly challenging for pressures such as the higher levels of covid activity and inflation than the assumptions set out in the original planning guidance. However, the ICB and the providers must ensure all actions within their control are taken including the delivery of the organisation's savings targets and fully adopt the controls agreed across the system.

The financial position remains very challenging, but every effort continues to mitigate the pressures.

Recommendations

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

Governance and reporting (list other forums that have discussed this paper)

Meeting	Date	Outcomes
ICB Executive Meeting	25 October 2022	Supported the paper for the Board.

Conflicts of interest identified

Not applicable

Implications

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

Report authorised by: Sam Proffitt, Chief Finance Officer

Integrated Care Board – 2 November 2022

Finance Performance Report – Month 6

1.0 Introduction

- 1.1 This paper provides an update on the latest reported financial position at the end of September 2022, provide 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 Halfway through the year, the Integrated Care Board (ICB) is reporting a system deficit of £61.2m which is £43.1m worse than plan. This represents a current pressure of £19.2m for the ICB and £23.9m across the Provider Trusts.
- 2.2 The movement from the previous months has seen an additional pressure of £8.0m within the providers and the ICB pressure remaining static.
- 2.3 The full year forecast remains to deliver a balanced position as a system. A number of actions to address the pressures are described in this paper to achieve a balanced position. However there continues to be a system financial risk of £70m as work continues to mitigate this risk.

3.0 ICB Financial Performance

- 3.1 At month 6, the ICB is reporting a year-to-date deficit of £19.2m against a break-even plan.
- 3.2 The deficit is split between delays to the identification and delivery of the savings plans and the increasing pressures across Continuing Health Care, Mental Health and Learning Disability for individual packages of care. Both the number and average cost of packages continue to increase.
- 3.3 Plans are in place to ensure the ICB can fully deliver its savings plans and a full review of the Continuing Health Care is being undertaken. This review will look at implementing a single Continuing Health Care model to improve the quality of the reviews and ensure cases are appropriately reviewed.
- 3.4 Pressures are also being incurred for Discharge to Assess schemes as the funding for hospital discharge has been reduced this year and schemes have continued. Further work is being done to understand how the share of the national £500m funding for Adult Social Care Discharge Fund may be able to support ongoing discharge plans. Clarity is now urgently required on how this will be distributed to enable the impact in year.

3.5 The ICB continues to forecast a balanced year end position. The key assumptions include delivering the benefits from the review of Continuing Health Care packages and the optimisation of medicines plans. All schemes are assessed under the new processes to provided quality impact and equality impact assessments.

4.0 Provider Financial Performance

4.1 Providers are reporting a cumulative deficit of £42.0m which is £23.9m worse than plan. This deficit position is partially being driven by the high level of current operational pressures including the ongoing Covid activity above planning levels.

4.2 A detailed forensic review of the financial position in each organisations is currently being undertaken by the ICB finance team to clearly understand the drivers behind the current pressures and the potential actions required to mitigate the risk.

4.3 The financial year-to-date and forecast outturn summary position for the system is provided at **Table 1**.

Table 1: Summary financial position

ORGANISATION	MONTH 6					
	Plan YTD	Actual YTD	Variance YTD	Plan FOT	Actual FOT	Variance FOT
	£m	£m	£m	£m	£m	£m
Blackpool Teaching Hospitals NHS Foundation Trust	(8.1)	(13.3)	(5.2)	0	0	0
East Lancashire Hospitals NHS Trust	0.0	(3.3)	(3.4)	0	0	0
Lancashire and South Cumbria NHS Foundation Trust	(2.0)	(7.9)	(5.9)	0	0	0
Lancashire Teaching Hospitals NHS Foundation Trust	(3.3)	(10.2)	(6.9)	0	0	0
North West Ambulance Service NHS Trust	0.0	0.1	0.1	0	0	0
University Hospitals of Morecambe Bay NHS Foundation Trust	(4.7)	(7.4)	(2.7)	0	0	0
Provider Sub-Total	(18.1)	(42.0)	(23.9)	0	0	0
ICB	0.0	(19.2)	(19.2)	0	0	0
ICB SYSTEM TOTAL	(18.1)	(61.2)	(43.1)	0	0	0

4.4 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 6 is shown in **Table 2**. It shows the actual run rate and then the run rate adjusted for newly received income where that applies to support specific additional expenditure.

Table 2: Provider expenditure run rate

	M1 - M11 Average	M1	M2	M3	M4	M5	M6	m1-6 VS m1-11 AVE	%
BTH	50,190	50,485	50,485	52,225	54,992	53,582	57,403	3,005	6%
ELHT	55,597	56,976	56,976	57,546	56,860	57,477	61,895	2,358	4%
LSCFT	40,478	42,747	42,747	45,243	39,729	42,057	44,997	2,442	6%
LTHT	58,910	59,799	59,799	59,785	60,075	63,008	64,601	2,268	4%
NWAS	37,466	38,724	38,724	37,675	38,029	38,617	41,523	1,416	4%
UHMB	41,206	45,212	45,212	43,957	42,920	42,474	45,553	3,015	7%
TOTAL	283,846	293,942	293,942	296,431	292,605	297,215	315,972	14,505	5%

The run rates taking into account inflation and the pay award which is now included would be expected to be around 4%. Three of the Providers are above this level at 6% and 7%. The drivers being this higher run rate are largely additional staffing. For LSCFT it largely relates to the Mental Health Investment Standard. A detailed review of this is being undertaken as part of the Month 6 review process which is described later in the paper.

5.0 Efficiencies

- 5.1 A summary outlining month 6 efficiency performance is show in **Table 3**. As at month 6, savings of £65.7m have been delivered across the ICB which is behind plan by £17.5m after the first 6 months. This shows a deterioration since month 5 when the ICB was £14.4m behind plan. Provider savings plans are £5.5m behind plan and ICB savings plans are £11.9m behind plan.
- 5.2 In total, across all organisations, only 23% of year-to-date savings have been delivered recurrently. 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.
- 5.3 Currently the forecast is showing that just under half will be delivered recurrently by the end of the year. This must improved to ensure at least 60% is delivered recurrently in year and all organisations are asked to ensure plans for recurrent full year impact are firmly in place by December 2022.
- 5.4 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 6					FOT					
		YTD Plan £m	YTD Recurrent £m	YTD Non-Rec £m	YTD Total £m	Variance to plan £m	FOT Recurrent £m	FOT Non-Rec £m	FOT Total £m	Variance to plan £m	* FOT Recurrent %	* FOT Non-Rec %
BTH	24.0	8.2	2.0	6.2	8.2	0.0	16.6	7.4	24.0	0.0	2.7%	1.2%
ELHT	28.8	14.4	1.3	13.1	14.4	0.0	9.4	19.4	28.8	0.0	1.4%	2.9%
LSCFT	18.3	8.6	1.4	4.0	5.4	(3.2)	7.3	11.0	18.3	0.0	1.5%	2.2%
LTH	26.3	13.2	1.7	9.8	11.6	(1.6)	9.7	16.7	26.3	0.0	1.3%	2.3%
NWAS	15.5	7.1	1.0	6.1	7.1	0.0	4.3	11.2	15.5	0.0	0.9%	2.4%
UHMB	22.8	6.2	3.8	1.8	5.4	(0.8)	13.1	9.7	22.8	0.0	2.5%	1.9%
Provider Sub-Total	135.7	57.6	11.2	40.9	52.1	(5.5)	60.4	75.3	135.7	0.0		
			22%	78%			45%	55%				
ICB	51.0	25.5	4.1	9.4	13.5	(11.9)	25.5	25.5	51.0	0.0		
			30%	70%			50%	50%				
ICB TOTAL	186.7	83.1	15.3	50.3	65.7	(17.5)	85.9	100.8	186.7	0.0		
			23%	77%			46%	54%				

* FOT % as % of FOT operating expenses

6.0 Capital

- 6.1 As at month 6, there is a year-to-date underspend against the profiled capital allocation of £11.1m (25%). The largest underspend is with Lancashire Teaching Hospitals at £6.3m (62%), however this is a phasing issue with the original plan submission and will be spent by the end of the year. The current levels of capital spend by provider are shown in **Table 4**.
- 6.2 The original allocation was £109.3m against which there were plans of £110.5m i.e., plans were £1.2m more than the allocation. This was a planning approach to ensure all capital is fully spent and is expected to be managed to budget by the year end.
- 6.3 The allocation was increased by £7.6m to reflect the Reinforced Autoclave Aerated Concrete (RAAC) at East Lancashire Hospitals Trust bringing the total allocation to £117m (note individual trust plans cannot be adjusted mid-year hence the allocation has increased but not the plan). A further adjustment to the allocation of £2.8m is anticipated in relation to ambulance fleet. The forecast over spend against the envelope of £4m is therefore comprised of £1.2m over planning and £2.8m anticipated increase to the allocation.
- 6.4 A detailed review of the capital forecast is in progress to ensure spend is in line with the allocation.

Table 4: Charge against capital allocation

ORGANISATION	MONTH 6				MONTH 6			
	Plan YTD £m	Actual YTD £m	Variance YTD £m	%	Plan FOT £m	Actual FOT £m	Variance FOT £m	%
Blackpool Teaching Hospitals NHS Foundation Trust	7.4	8.9	(1.5)	(20%)	26.4	26.4	0.0	0%
East Lancashire Hospitals NHS Trust	4.5	2.6	1.8	41%	12.1	19.7	(7.6)	(63%)
Lancashire and South Cumbria NHS Foundation Trust	4.2	3.3	0.9	21%	8.4	8.4	(0.0)	(0%)
Lancashire Teaching Hospitals NHS Foundation Trust	10.2	3.9	6.3	62%	23.2	23.2	(0.0)	(0%)
North West Ambulance Service NHS Trust	9.8	7.0	2.7	28%	20.3	23.1	(2.8)	(14%)
University Hospitals of Morecambe Bay NHS Foundation Trust	7.6	6.8	0.8	10%	20.1	20.1	0.0	0%
PROVIDER TOTAL	43.6	32.6	11.1	25%	110.5	121.0	(10.5)	(9%)
Total Provider Allocation						117.0		
Forecast Variance to Allocation						(4.0)		

7.0 Risks and Mitigating Actions

- 7.1 A financial risk of £177m, after including a 5% savings target, was identified at planning stage for 2022/23. It was agreed that a number of additional organisational opportunities and system wide initiatives would be identified and developed to mitigate this risk. There was a recognition that individual organisations would need to work as part of a system to be able to achieve this.
- 7.2 A roadmap of these opportunities has been developed which include the system wide programmes of work, in addition to a number of short term and technical solutions. The Directors of Finance are actively using this roadmap in their system meetings to review the opportunity and reflect likely benefits to their individual organisational positions
- 7.3 The five system wide schemes are System flow, Optimising Elective Recovery, Corporate Platform, Clinical Pathways Design and Collaboration on areas such as bank and agency to support in year savings. These schemes will support the medium-term financial sustainability but are likely to take longer to implement than the current year. Therefore, most of the benefit this year will be from technical and one-off benefits.
- 7.4 Each organisation should be delivering their own recurrent savings scheme for to impact at least 3% of the 5% target in year. (60% of the savings should be recurrently delivered in year) There is a greater risk that if these recurrent savings plans are not delivered these one-off benefits will be used to support the non-delivery of these savings plans rather than address the risk.
- 7.5 The current assumption is that the system risk can be mitigated down to a least £70m through the control environment and month 6 review process.

8.0 Actions taken to date

- 8.1 The actions taken to date to deliver financial balance are outlined in this section of the report. These include the strengthening of controls and a full review and forensic analysis of the month 6 financial position with each organisation.
- 8.2 The ICB has undertaken a deeper dive into the finances at University Hospitals of Morecambe Bay Foundation Trust to understand the drivers behind the financial pressures and assess the current risk to the financial position. This has led to a reduction in the size of the original planning risk from £34m to £28m and provided assurance of the steps being taken to strengthen internal controls, continue to mitigate the risk and tighten governance around the finances. A Board-to-Board meeting was also held on 20th October 2022.
- 8.3 The ICB Board are holding Board to Board meeting with all Provider Trusts where finance will form part of the discussions.

8.4 An Improvement Director has been placed into Lancashire and South Cumbria NHS Foundation Trust. Early indications are that financial gap reported earlier in the year will reduce. This will also be assessed as part of the month 6 review.

8.5 As a system with financial challenges, it is imperative that we implement and comply with national and system controls. All providers and the ICB should be complying with these controls. Further financial controls were set out by the ICB Board at its meeting in July 2022. All these controls are provided in **Appendix A**.

9.0 Month 6 review process

9.1 The ICB is undertaking a full and detailed review on the current position and forecast of all providers and the ICB. The review anticipates what the expectation may be from NHS England if the system wanted to revise its forecast position.

9.2 Providers have been asked to submit data by the 28 October which will provide both a financial and workforce bridge that explains the current financial pressures facing the system. The month 6 deep dive process is outlined in **Appendix B**

9.3 In addition ICB/Peer Review finance meetings are being arranged for the week commencing 7th November to review the forecast assumptions, elective spend, financial improvement options, savings plans and balance sheet. The compliance with controls will also be reviewed.

9.4 Following the month 6 review process, where a Provider may wish to change the current forecast on the basis it does not believe it can be delivered, this will trigger a series of next steps:

1. Board declaration signed by the Chair, Finance Committee Chair, Chief Executive and Director of Finance that the national and system controls described previously must be abided by.
2. The production of a recovery plan showing the steps that have been and will be taken in order to reduce expenditure and hence minimise the extent of the overspend to include detail of the actions that have been made in arriving at this position, including evidence that all possible flexibilities and options have been deployed. This will be signed off by the Chair, Finance Committee Chair, Chief Executive and Director of Finance.
3. A report on any shortcomings identified from the Healthcare Financial Management Association (HFMA), Financial Improvement Checklist and how they are being addressed.
4. Implementation of additional controls and measures, such as enhanced reporting, and the potential for an Improvement Director.

5. Escalation of organisations to NHS England Regional Team to discuss next steps.
6. Detailed workforce review undertaken.
7. ICB approval requirement for any spend above £50,000, and NHS England approval of all spend above £100,000.

10.0 Recommendations

- 10.1 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

Chief Finance Officer

2 November 2022

Financial Controls

<p>Controls set at Planning stage</p>
<p>Monitoring of agency usage by providers will recommence, and providers will be expected to abide by previously established usage and rate limits.</p>
<p>Providers will also be required to abide by a similar set of conditions in relation to bank staff.</p>
<p>Approval from NHS England/Improvement for any consultancy spend above £50,000 and for any non-clinical agency usage.</p>
<p>Commission internal audit to produce a report for the Audit Committee covering the most recent HFMA publication “Improving NHS Financial Sustainability: are you getting the basis, right?”, highlighting areas of weakness in financial governance and prescribing remedial action.</p>
<p>Further Controls agreed by ICB Board</p>
<p>Establish a system wide vacancy Control Panel to:</p> <ol style="list-style-type: none"> a. Approve all Band 9 / Very Senior Managers external recruitment for programme / projects. b. Review of all Executive / Band 9 roles that become vacant
<p>Formal grip and control on agency processes and rates with all exceptions from agreed rates / trajectory requiring executive approval and to be reported to ICB Delivery Board. Agency spend limits for each organisation will also be used to report against as part of the monthly reporting to the Board.</p>
<p>All consultancy spend in any part of the system to be agreed by the delivery board ahead of any submission into the NHS England process for values over £50k.</p>
<p>Any contracts to be retendered or renewed of significant value (£5m over contract lifetime) to be reviewed systematically as a feature of the procurement strategy.</p>
<p>Any planned investments provide granular spend and benefit trajectories and agreed by the delivery Board with a clear return on investment. Strengthen the benefits realisation process for all programmes under the system transformation / Project Management Office team.</p>
<p>Immediate commitment to fully adopt national guidance where not doing so would incur additional cost.</p>
<p>All strategic capital schemes to have an approved revenue case prior to committing capital and to be supported through the System Finance Group.</p>
<p>Key metrics including in month and forecast variances to plan, efficiency scheme progress, run rates, productivity measures, agency spend, cash movements and capital spend will be reported within the finance report to the ICB Board.</p>

Month 6 “deep dive” review process

- Each Trust and the ICB will produce a detailed forecast that excludes any accrual against the roadmap (i.e., a gross forecast). This will be clear what costs have been incurred to-date, drivers of run rates and the basis for spend over the next 6 months, including where there is scope to reduce spending. This will be reviewed by ICB/Peer Review. **Deadline: 18th October 2022.**
- Elective recovery funding is being assumed not to be “clawback”, but no upside is being reported from the under delivery of elective work. Review being undertaken to validate why there is no upside in providers by looking at planned v actual elective spend and planned spend/sessions v actual spend/sessions. **Deadline 28th October.**
- Trusts and ICB to complete HFMA Financial Improvement Checklist and reviewed by ICB and peer review. **Deadline 28th October.**
- Trusts and ICB to complete Grip and Control checklist to demonstrate robust internal controls. To be shared asap. **Deadline 11th November.**
- Cost Improvement Programme (CIP) reporting – detailed breakdown of CIP line by line (**Deadline 28th October**)
 - 1. Should any of the non-recurrent be moved to recurrent due to its nature?
 - 2. Why aren't recurrent schemes delivering – how can be unlocked?
 - 3. What is stopping any amber/red schemes delivering?
 - 4. How much balance sheet/roadmap is in the Non-Recurrent?
- Balance sheet review: full list of accruals, deferred income, and provisions. ICB and peer review. **Deadline 28th October.**