

## Integrated Care Board

<b>Date of meeting</b>	7 December 2022
<b>Title of paper</b>	Finance Report – Month 7
<b>Presented by</b>	Sam Proffitt, Chief Finance Officer
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<b>Agenda item</b>	8
<b>Confidential</b>	No

### **Purpose of the paper**

This paper reports on the month 7 (October) financial performance for the Lancashire and South Cumbria system.

### **Executive summary**

The Integrated Care Board (ICB) is reporting a system deficit of £61.9m which is £47.6m worse than plan. This represents a current pressure of £19.0m for the ICB and £28.6m across the Provider Trusts.

The deficit position has remained static at the end of October. The Plan was to begin to bring this position back in line with Breakeven by the end of the year. As such the position has deteriorated by £4.5m against that plan during the month.

There has been significant activity since the last Board in undertaking a deep dive review of the position in the ICB and each Provider with producing a recovery plan by 25<sup>th</sup> November.

The ICB has developed a recovery plan and Providers have been asked to return recovery plan by 25<sup>th</sup> November. The next steps in reviewing these plans and assessing the risk are described in the paper.

There remains a clear expectation from NHS England that all system deliver a balanced position. Should Providers and Systems not deliver their plans, then the recently published document by NHE England “Protocol for changes to in-year revenue financial forecast” sets out the consequences of changing the forecast financial position.

The current assessment of £70m risk against the forecast breakeven position will be reviewed fully in December as part of the recovery planning process and reported to the next Board meeting.

### **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.

<b>Governance and reporting</b> (list other forums that have discussed this paper)				
<b>Meeting</b>	<b>Date</b>			<b>Outcomes</b>
ICB Executive Meeting	29 November 2022			Supported the paper for the Board.
<b>Conflicts of interest identified</b>				
Not applicable				
<b>Implications</b>				
If yes, please provide a brief risk description and reference number	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
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			

<b>Report authorised by:</b>	Sam Proffitt, Chief Finance Officer
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# Integrated Care Board – 7 December 2022

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## Finance Performance Report – Month 7

### 1.0 Introduction

- 1.1 This paper reports the financial position for the Lancashire and South Cumbria (LSC) health system at the end of October 2022 and provides an assessment of the risks and mitigating actions required to ensure the system can achieve its 2022-23 financial targets.
- 1.2 At the Board meeting on 2 November a number of actions were described to tighten the financial controls across the system and produce financial recovery plans to mitigate the risk. This paper provides an update on those actions.

### 2.0 Current Financial Performance

- 2.1 At the end of month 7, the system is reporting a deficit of £61.9m which is £47.6m worse than plan. This represents a current pressure of £19.0m for the ICB and £28.6m across the Provider Trusts.
- 2.2 The deficit position has remained at a similar level to the previous month. However, the plan sets out a requirement to reduce the deficit over the remaining months of the year and the system position has deteriorated against this plan by £4.5m during the month.
- 2.3 The ICB position has seen a modest improvement of £0.2m against a break-even plan with a number of actions now implemented which are expected to achieve a break-even position by the end of the year. The Provider Trust position has deteriorated against its plan by £4.7m.
- 2.4 The full year forecast remains to deliver a balanced position as a system. However, the risk and the mitigations are described in more detail later in the report.
- 2.5 The financial risk to the breakeven position remains at £70m but the recovery plans and mitigations will be reviewed during December to assess whether a change to the financial forecast will be necessary. The protocol for making any changes is set out in **Section 9** if the report.

### 3.0 ICB Financial Performance

- 3.1 At month 7, the ICB is reporting a year-to-date deficit of £19.0m against a break-even plan.

- 3.2 Actions have been taken to recover the position in year and these are starting to take effect. However, there are continuing pressures across individual packages of care. This is both in terms of the number and the average cost of packages.
- 3.3 The key focus remains to ensure the ICB can deliver its full year savings plans with a particular focus on Continuing Health Care package costs and optimisation of medicines plans into the second half of the financial year.
- 3.4 **Section 8** outlines the key elements of the ICB's own recovery Plan, the delivery of which will be essential to ensure robust financial control and delivery of a balanced year end position.

#### 4.0 Provider Financial Performance

- 4.1 Providers are reporting a cumulative deficit of £42.9m which is £28.6m worse than the plan. This deficit position is partially being driven by costs arising from current operational pressures, pay award pressures and a shortfall against the Cost Improvement Plans.
- 4.2 A detailed forensic review of the financial position in each provider organisation has been undertaken by the ICB finance team to clearly understand the drivers behind the current pressures. The drivers, risks and recovery approach is set out in further detail in **Section 9**.
- 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 7					
	Plan YTD	Actual YTD	Variance YTD	Plan FOT	Actual FOT	Variance FOT
	£m	£m	£m	£m	£m	£m
Blackpool Teaching Hospitals NHS Foundation Trust	(6.4)	(13.3)	(6.9)	0	0	0
East Lancashire Hospitals NHS Trust	0.2	(3.9)	(4.0)	0	0	0
Lancashire and South Cumbria NHS Foundation Trust	(1.4)	(8.0)	(6.6)	0	0	0
Lancashire Teaching Hospitals NHS Foundation Trust	(2.7)	(11.8)	(9.1)	0	0	0
North West Ambulance Service NHS Trust	0.0	0.4	0.4	0	0	0
University Hospitals of Morecambe Bay NHS Foundation Trust	(4.0)	(6.3)	(2.4)	0	0	0
<b>Provider Sub-Total</b>	<b>(14.4)</b>	<b>(42.9)</b>	<b>(28.6)</b>	0	0	0
ICB	0.0	(19.0)	(19.0)	0	0	0
<b>ICB SYSTEM TOTAL</b>	<b>(14.3)</b>	<b>(61.9)</b>	<b>(47.6)</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 4.4 The ICB undertakes a monthly collection of run rate data to help understand the monthly financial performance of each of the providers. The provider expenditure run rate for months 1 to 7 is shown in **Table 2**.

**Table 2: Provider expenditure run rate**

ORGANISATION	2021-22 M1 - 11 Average	2022-23 Expenditure Run Rate							M7 v M1 - 11 Average	%
		M1	M2	M3	M4	M5	M6	M7		
BTH	50,190	50,485	50,485	52,225	54,992	53,582	57,403	51,565	2,772	6%
ELHT	55,597	56,976	56,976	57,546	56,860	57,477	61,895	59,677	2,604	5%
LSCFT	40,478	42,747	42,747	45,243	39,729	42,057	44,997	40,870	2,150	5%
LTH	58,910	59,799	59,799	59,785	60,075	63,008	64,601	62,595	2,471	4%
NWAS	37,466	38,724	38,724	37,675	38,029	38,617	41,523	38,857	1,413	4%
UHMB	41,206	45,212	45,212	43,957	42,920	42,474	45,553	41,887	2,682	7%
<b>TOTAL</b>	<b>283,846</b>	<b>293,942</b>	<b>293,942</b>	<b>296,431</b>	<b>292,605</b>	<b>297,215</b>	<b>315,972</b>	<b>295,451</b>	<b>14,091</b>	<b>5%</b>

4.5 The run rate, taking into account inflation and the pay award, would be expected to be around 4%. Four of the Providers are above this level.

4.6 The drivers of this increase above 4% are premium rate staffing costs covering vacancies and sickness and operational escalation costs.

## 5.0 Efficiencies

5.1 Month 7 efficiency performance is show in **Table 3**. As at month 7, savings of £78.7m have been delivered across the ICB which is behind plan by £21.5m. This shows a deterioration since month 6 when the ICB was £17.5m behind plan. Provider savings plans are £7.6m behind plan and ICB savings plans are £13.9m behind plan.

5.2 In total, across all organisations, only 32% of year-to-date savings have been delivered recurrently. Currently the forecast is showing that just under half will be delivered recurrently by the end of the year. This must improve 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.

5.3 The full year forecast for all organisations is to achieve the in-year savings target totalling £186.7m which means that 42% of savings have been delivered year to date.

**Table 3: Efficiency performance**

ORGANISATION	2022-23 Plan £m	MONTH 7					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	10.5	3.1	7.4	10.5	0.0	8.3	15.7	24.0	0.0	1.3%	2.6%
ELHT	28.8	16.8	6.0	10.8	16.8	0.0	14.1	14.7	28.8	0.0	2.1%	2.2%
LSCFT	18.3	10.6	1.7	5.4	7.1	(3.4)	4.2	14.1	18.3	0.0	0.8%	2.8%
LTH	26.3	15.4	2.2	11.3	13.5	(1.9)	9.7	16.7	26.3	0.0	1.3%	2.3%
NWAS	15.5	8.2	1.7	6.6	8.3	0.0	5.3	10.2	15.5	0.0	1.1%	2.2%
UHMB	22.8	9.0	4.3	2.3	6.6	(2.3)	13.7	9.1	22.8	0.0	2.7%	1.8%
<b>Provider Sub-Total</b>	<b>135.7</b>	<b>70.4</b>	<b>19.1</b>	<b>43.8</b>	<b>62.8</b>	<b>(7.6)</b>	<b>55.2</b>	<b>80.6</b>	<b>135.7</b>	<b>0.0</b>		
			30%	70%			41%	59%				
ICB	51.0	29.7	5.9	10.0	15.9	(13.9)	31.4	19.6	51.0	0.0		
			37%	63%			62%	38%				
<b>ICB TOTAL</b>	<b>186.7</b>	<b>100.2</b>	<b>24.9</b>	<b>53.8</b>	<b>78.7</b>	<b>(21.5)</b>	<b>86.5</b>	<b>100.2</b>	<b>186.7</b>	<b>0.0</b>		
			32%	68%			46%	54%				

\* FOT % as % of FOT operating expenses

## 6.0 Capital

- 6.1 As at month 7, there is a year-to-date underspend against the profiled capital allocation of £12.0m (24%). The largest underspend is with Lancashire Teaching Hospitals at £5.1m (61%). 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 An adjustment to the allocation of £2.8m is anticipated in relation to ambulance fleet. The forecast over spend against the envelope of £4m comprising the £1.2m over planning which will be managed and the £2.8m anticipated increase to the allocation.

**Table 4: Capital Expenditure**

ORGANISATION	MONTH 7				MONTH 7			
	Plan YTD £m	Actual YTD £m	Variance YTD £m	%	Plan FOT £m	Actual FOT £m	FOT still to spend £m	FOT % to spend %
Blackpool Teaching Hospitals NHS Foundation Trust	10.7	10.0	0.6	6%	26.4	26.3	16.3	62%
East Lancashire Hospitals NHS Trust	5.6	3.1	2.5	45%	12.1	19.7	16.6	84%
Lancashire and South Cumbria NHS Foundation Trust	5.0	4.0	0.9	19%	8.4	8.4	4.4	52%
Lancashire Teaching Hospitals NHS Foundation Trust *	8.4	3.3	5.1	61%	23.2	23.2	19.9	86%
North West Ambulance Service NHS Trust	11.4	9.7	1.7	15%	20.3	23.1	13.4	58%
University Hospitals of Morecambe Bay NHS Foundation Trust	9.2	8.1	1.1	12%	20.1	20.1	12.0	60%
<b>PROVIDER TOTAL</b>	<b>50.2</b>	<b>38.2</b>	<b>12.0</b>	<b>24%</b>	<b>110.5</b>	<b>120.9</b>	<b>82.6</b>	<b>68%</b>
<b>Total Provider Allocation</b>						<b>117.0</b>		
<b>Forecast Variance to Allocation</b>						<b>(3.9)</b>		

## 7.0 Financial Risks

- 7.1 As part of the month 6 'deep dive' into the finances of the ICB and the Providers Trusts, an assessment of the financial risk to the break-even forecast position was undertaken.
- 7.2 The overall planning risk was identified £178m of which £64m related to the ICB and £114m for Providers.
- 7.3 The ICB initial planning risk has reduced from £64m to £40m and plans have been developed to meet the breakeven position as outlined in **Section 10**.
- 7.4 The previous assessment of risk using a roadmap of mitigating actions assessed the residual risk at £70m. The work on the Provider recovery plans will enable a more robust and up to date assessment of this risk.
- 7.5 Financial recovery plans are being developed currently as described in **Section 11**.

## 8.0 Mitigating Actions

- 8.1 A number of actions were described in the October Board meeting to mitigate the current risk in the system.
- 8.2 Following the previous Board meeting on 4th November a letter was sent to each Provider Chief Executive asking for a Board approved Financial Recovery Plan by 25th November. This asked each Provider to set out the actions that would deliver a breakeven position.
- 8.3 Peer review meetings with each Provider Director of Finance took place over the 7th and 8th of November, with a follow up meeting on 11th November to ensure all Providers were clear on the next steps and the agreed areas where collective actions were required.
- 8.4 Meetings have been scheduled between 5<sup>th</sup> and 16th December with the ICB Chief Executive and the Director of Finance and the Provider Chief Executive and Director of Finance to review the financial recovery plans and agree the actions that will be taken to ensure delivery over the remaining month.
- 8.5 The ICB has also developed a recovery plan which has been taken through the Executive Team and is described in **Section 10**.

## 9.0 Provider Recovery Plans

- 9.1 The letter sent to Chief Executives on 4th November set out the areas that the financial recovery plan should cover when submitted on 25th November:
- Cost are being incurred above the funding available on COVID, elective recovery and developments. The plan should describe how these costs will be reduced in line with funding, in conjunction with driving up productivity.
  - The plans to deliver a minimum 3% efficiency recurrently
  - The mitigations that can be deployed
  - Completion of the Financial Improvement Checklist (best practice).
  - Internal audit review of the completed “Healthcare Financial Management Association (HFMA) Review “Improving NHS Financial Sustainability: are you getting the basics, right?” assessment.
  - Grip and Control Checklist
  - Controls Compliance Statement
- 9.2 Specific pieces of work have started to ensure all providers are taking advantage of the all the opportunities, sharing best practice and taking a consistent approach.
- 9.3 Each of the Providers have Quality and Equality Impact Assessment processes in place for savings plans and all elements of the financial recovery plans will need to have been through these processes.

## 10.0 ICB Recovery Plan

10.1 Following the close of the month 6 financial position, a robust assessment has been undertaken to identify the remaining risk associated with delivering a balanced year end ICB position for 31 March 2023.

10.2 This assessment identified a net risk of £40m driven by the following key areas;

- Increased Independent Sector activity over and above planned levels
- Continuing Health Care/Mental Health Packages of care pressures
- Delegated Pharmacy from NHS England

The full delivery of Quality Innovation Productivity and Prevention (QIPP) target has been assumed.

10.3 In order to mitigate this risk, a number of actions have been approved by the ICB Executive Team for immediate implementation. These are summarised below.

- **Timing of Programme Spend** – A full review is being undertaken to establish a robust forecast of profiled spend for the remaining 5 months of the financial year to assess any natural slippage.
- **Prescribing** – The current Medicine Optimisation QIPP plan is forecasting delivery of £13.4m recurrent savings this financial year. A stretch target of £25.0m is required to support the overall efficiency programme and ICB financial position. This is supported with data identifying opportunities particularly with standardisation in medicine optimisation approach in each place and a full review is being undertaken to plot deliverability of the stretch target.
- **Discharge to Assess (D2A) expenditure** - The centrally funded Hospital Discharge Programme ended on 31 March 2022. Included in the ICB plan for 2022/23 was £9m of assumed expenditure to cover the continuation and subsequent scale down of the D2A programme. At the end of month 6, the full £9m has been spent, £4m by the ICB and £5m by providers (including Lancashire County Council). The system has been allocated its share of the £500m social care fund. The Chief Nurse and Chief Finance Officer have written to each of the Local Authorities to provide clarity that the fund is fully utilised and agree how we can potentially support the continuation of these schemes through the new funding.
- **CSU Contract** - An informal request has been made for CSU colleagues to identify areas where spend can be released from the contract – non recurrently in year with an ask to reduce by 25% recurrently from 2023/24



onwards. Controls are being implemented to ensure no further increases in CSU resource can be progressed without Executive approval.

- **Transformation Reserve** - A sum of £14m was included in the ICB budget for 2022/23 to support transformation. It is estimated that £4m has been assessed as required against this budget this year. The uncommitted £10m has been released to support the financial position and is therefore no longer available for investment.
- **Continuing Health Care (CHC) forecast** - The current CHC forecast is an estimated £18m overspend against budget. This is being driven by an increase in the number of outstanding reviews, in the number of live packages and in the number of high-cost packages of care (>£250k). A full review of the model and backlog reviews is underway led by the Chief Nurse which will support actions that can be taken to mitigate the forecast overspend.
- **Running Costs** – A detailed review of running and programme pay costs by function has been undertaken by the Executive Team to ensure temporary roles are still required as we transition over to new structures. This is to be completed alongside the Mutually Agreed Resignation Scheme (MARS) which has been launched in November and is available to all ICB employees.

10.4 Each of these areas along with the existing QIPP Plans are subjected to Quality and Equality Impact Assessments.

10.5 It is vital that the above actions are taken to mitigate the identified residual risk of £40m over the second half of the financial year. A full update on progress against these actions will be included in the finance report each month to the Board.

#### **11.0 'Protocol' for changes to forecast**

11.1 NHS England has requested to meet with those systems that have material levels of financial risk. Lancashire and South Cumbria ICB is meeting with the regional team and National Director of Finance on 30th November to discuss the current financial position and the actions being taken to address the financial risk. This meeting is timely given financial recovery plans are due back on 25th November.

11.2 There remains a clear expectation from NHS England that all system deliver a balanced position. Should Providers and Systems not deliver their plans, then the recently published document by NHE England "Protocol for changes to in-year revenue financial forecast" sets out the consequences of changing the forecast financial position. In summary, these are enhanced reporting, greater scrutiny and loss of autonomy to make decisions.

## 12.0 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.

**Sam Proffitt**

Chief Finance Officer

7th December 2022