

Integrated Care Board

Date of meeting	1 February 2023
Title of paper	Finance Report – Month 8
Presented by	Sam Proffitt, Chief Finance Officer
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Agenda item	10
Confidential	No

Purpose of the paper

This paper reports on the month 8 (November) financial performance for the Lancashire and South Cumbria system. The Finance and Performance Committee met on the 16 January 2023 and the discussion at the committee has supported the development of this paper.

Executive summary

The Integrated Care Board (ICB) is reported a system deficit of £66.5m at the end of November which is £55m worse than plan. This represents a current pressure of £19m for the ICB and £36m across the Provider Trusts.

The deficit position has remained relatively static at the end of November.

There has been continued activity since the last Board in developing and progressing delivery against the ICB and Provider recovery plans in order to mitigate the collective system risk and achieve the year-end financial targets.

The current operational pressures are impacting on the ability to deliver plans, increasing the risk but across the Providers and in the ICB additional focus has been put onto the actions required to achieve the targets.

Month 9 (December) position is being finalised at the time of writing this Board paper and a further risk assessment and review of actions is being undertaken. The ICB and NHS Providers are working together currently to mitigate risks and there has been improvements across the system.

The initial risk identified at planning stage was £177m for the system, this is currently assessed at £40m and through joint working it is anticipated that this can be reduced further. The system had a historic surplus of £27m and the system is exploring the potential for utilising this against any residual risk at year end. This position will be confirmed as part of the month 10 (end of January) reported position.

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	24 January 2023			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
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Integrated Care Board – 1 February 2023

Finance Performance Report – Month 8

1.0 Introduction

- 1.1 This paper reports the financial position for the Lancashire and South Cumbria (LSC) health system at the end of November 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 This paper provides an update on the actions required to mitigate financial risk across the system and to deliver against the financial recovery plan put in place in the last quarter of the financial year.

2.0 Current Financial Performance

- 2.1 At the end of month 8, the system is reporting a deficit of £66.5m which is £55m worse than plan. This represents a current pressure of £19m for the ICB and £36m across the Provider Trusts.
- 2.2 At the time of writing the month 9 (December) position is being finalised and this has indicated a stabilisation of the position. The risks have been reassessed using month 9 data which are now indicating that further improvements have been made towards finalising the year end position.
- 2.3 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 8					
	Plan YTD £m	Actual YTD £m	Variance YTD £m	Plan FOT £m	Actual FOT £m	Variance FOT £m
Blackpool Teaching Hospitals NHS Foundation Trust	(5.1)	(13.6)	(8.5)	0	0	0
East Lancashire Hospitals NHS Trust	0.1	(6.1)	(6.2)	0	0	0
Lancashire and South Cumbria NHS Foundation Trust	(1.2)	(7.4)	(6.2)	0	0	0
Lancashire Teaching Hospitals NHS Foundation Trust	(2.2)	(13.2)	(11.0)	0	0	0
North West Ambulance Service NHS Trust	0.0	0.5	0.5	0	0	0
University Hospitals of Morecambe Bay NHS Foundation Trust	(3.2)	(7.7)	(4.5)	0	0	0
Provider Sub-Total	(11.5)	(47.5)	(36.0)	0	0	0
ICB	0.0	(19.0)	(19.0)	0	0	0
ICB SYSTEM TOTAL	(11.5)	(66.5)	(55.0)	0	0	0

- 2.4 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.
- 2.5 The ICB position has seen a small 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 £12m but has begun to stabilise at month 9.
- 2.6 It is assumed the ICB can deliver a number of further actions to break even at the end of the year. These actions are described in **Section 4** of the paper and are being monitored through the ICB Executives
- 2.7 The full year forecast remains to deliver a balanced position as a whole system. However, the risk to this position remains at £40m. Work is being undertaken to reduce this further with the potential for any residual risk to be offset by the historic surplus of £27m.

3.0 ICB Financial Performance

- 3.1 At month 8, the ICB is reporting a year-to-date deficit of £19m against a break-even plan.
- 3.2 This has not reduced from the previous months as new pressures have emerged and a number of recovery actions remain to be delivered in the final 3 months of the year.
- 3.3 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. In addition, Independent Sector acute costs are forecast to overspend and delivery against ICB efficiency targets remains challenging given the increasing level of demand across all services during this winter period.
- 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 The ICB continues to forecast the breakeven position. An increased focus on recovery actions by the ICB Executive Team has been necessary in January to address the increasing risk to the year end break even position.

4.0 ICB Recovery Plan

- 4.1 In order to mitigate the ICB risk, a series of actions have been agreed by the ICB Executive Team for immediate implementation.

- 4.2 In January, the Finance and Performance Committee have received an update on progress against these actions.
- 4.3 These are largely reviewing spend in the last 3 months and non-recurrent technical movements. There are also a number of actions particularly around prescribing and Packages of Care reviews continue to be delivered to achieve the savings plans.
- 4.4 Importantly the work being done to review the new model for Continuing Health Care, the prescribing efficiencies and ICB corporate structure review will support the recurrent delivery of savings and the 2023/24 position.
- 4.5 The Financial Case for change for the new Continuing Health Care Model was supported at the Finance and Performance Committee on 16th January 2023. This identified £7m of recurrent savings with the potential for further benefits to be identified.
- 4.6 The new Corporate Structures for the ICB will be finalised at the end of January 2023 with consultation with Staff planned in February 2023. A 20% savings target has been set within the new structures supported by a Mutually Agreed Resignation Scheme and natural attrition which will provide £6m of recurrent savings.
- 4.7 The 2023/24 Quality Innovation Productivity and Prevention (QUIP) scheme is being developed to ensure it can impact from 1st April 2023. This will include the savings identified in this section along with a review of contracts as part of the 2023/24 plan.
- 4.8 All of the these schemes continue to be quality and equality impact assessed under the ICB agreed processes.

5.0 Provider Financial Performance

- 5.1 Providers are reporting a cumulative deficit of £47.5m which is £36.0m worse than the plan. This deficit position is partially being driven by costs arising from current operational pressures (£15.0m), pay award pressures (£5.0m) and a shortfall against the Cost Improvement Plans (£7.0m).
- 5.2 The monthly run rate has continued to run at 5% against an expected 4% which is a continued trend from the previous month.
- 5.3 Whilst the reported forecast position remains break-even, the risk for providers of delivering this has been subject to forensic review during November and December 2022.
- 5.4 There has been good collective system working across the providers to mitigate the residual risk despite the increased operational pressures impacting over the winter on finances and the position has begun to stabilise.

6.0 Provider Recovery Plans

- 6.1 Financial Recovery Plans were received from all Providers on the 25 November (except NWS as forecast breakeven). The position showed the risk position at £56m.
- 6.2 This position was presented to NHS England at an assurance meeting on the 30 November. A resubmission of the financial recovery plans was received by the ICB on the 21 December. The Providers have committed to a further reduction of the risk to £45m.
- 6.3 On the 23 December, the ICB wrote to NHS England and confirmed that the forecast deficit had reduced from £56m to £45m and with a commitment to reduce this further. It was anticipated that some further work could bring this risk down to £40m.
- 6.4 The providers are finalising their risk position and at month 9 this has stabilised and good collective work is expected to drive further improvements. A finalised position will be reported as part of the Month 10 (January) position.

7.0 Efficiencies

- 7.1 Month 8 efficiency performance for Providers and the ICB is show in **Table 2**. As at month 8, savings of £95.1m have been delivered across the system which is behind plan by £21.6m. Provider savings plans are £6.9m behind plan and ICB savings plans are £14.7m behind plan.
- 7.2 The forecast is showing that just under half will be delivered recurrently by the end of the year however the fully year impact of those scheme will be nearer to 60%.

Table 2: Efficiency performance

ORGANISATION	2022-23 Plan £m	MONTH 8					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	12.8	3.4	9.5	12.8	0.0	7.5	16.5	24.0	0.0	1.2%	2.7%
ELHT	28.8	19.2	6.8	12.4	19.2	0.0	14.6	14.2	28.8	0.0	2.2%	2.1%
LSCFT	18.3	12.0	2.5	6.4	8.9	(3.1)	4.2	14.1	18.3	0.0	0.8%	2.8%
LTH	26.3	17.6	2.8	13.0	15.8	(1.8)	7.6	18.8	26.3	0.0	1.0%	2.6%
NWAS	15.5	9.4	2.5	6.9	9.4	(0.0)	5.3	10.2	15.5	0.0	1.1%	2.2%
UHMB	22.8	11.7	6.4	3.3	9.7	(2.0)	12.1	10.7	22.8	0.0	2.4%	2.1%
Provider Sub-Total	135.7	82.7	24.3	51.6	75.8	(6.9)	51.2	84.5	135.7	0.0		
			32%	68%			38%	62%				
ICB	51.0	34.0	7.3	12.0	19.3	(14.7)	31.4	19.6	51.0	(0.0)		
			38%	62%			62%	38%				
ICB TOTAL	186.7	116.7	31.6	63.6	95.1	(21.6)	82.6	104.1	186.7	0.0		
			33%	67%			44%	56%				

* FOT % as % of FOT operating expenses

8.0 Capital

- 8.1 As at month 8, there is a year-to-date underspend against the profiled capital allocation of £111.6m (20%). The largest underspend is with East Lancashire Hospitals Trust at £3.4m (48%). However, this is a phasing issue with the original plan submission and will be spent by the end of the year.
- 8.2 The capital envelope is £120.2m and providers are forecasting to spend £119.8m, which at month 8 leaves 61% of forecast yet to be spent in the remaining 4 months of the financial year. The capital oversight group is overseeing this to ensure all allocated capital resource is spent by the year end. The current levels of capital spend by provider are shown in **Table 3**.

Table 3: Capital Expenditure

ORGANISATION	MONTH 8				MONTH 8			
	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	13.5	12.6	1.0	7%	26.4	26.0	13.5	52%
East Lancashire Hospitals NHS Trust	7.1	3.7	3.4	48%	12.1	19.5	15.8	81%
Lancashire and South Cumbria NHS Foundation Trust	5.9	4.9	0.9	16%	8.4	8.4	3.4	41%
Lancashire Teaching Hospitals NHS Foundation Trust *	8.4	5.4	3.0	35%	23.2	23.0	17.6	76%
North West Ambulance Service NHS Trust	13.1	10.3	2.7	21%	20.3	22.9	12.6	55%
University Hospitals of Morecambe Bay NHS Foundation Trust	10.8	10.3	0.5	5%	20.1	20.0	9.7	49%
PROVIDER TOTAL	58.8	47.2	11.6	20%	110.5	119.8	72.6	61%
Total Provider Allocation						120.2		
Forecast Variance to Allocation						0.4		

9.0 Financial Outlook

- 9.1 For 2022/23 actions are in place to recover and whilst there remains a level of risk it is anticipated that the system will reduce the current risk of £40m against its break even position further.
- 9.2 The potential for utilising the historical surplus of £27m against any residual risk is being explored with NHSE.
- 9.3 Plans for 2023/24 are being developed and it will be essential that the system begins to impact delivery of the large efficiency schemes in the last quarter of 2023/24. This will enable a balanced plan to be developed and delivered for the year.
- 9.4 The risk at planning stages was £177m and the majority of actions to manage this risk have been non recurrent in nature. In addition a proportion of the savings plans have also been non recurrent.
- 9.5 Planning guidance was issued on 23 December 2022 which clearly highlights the need for further efficiencies against planned uplifts in 23/24.
- 9.6 The ICB and each Provider need to ensure they implement recurrent savings plan to commence delivery at the start of 2023/24.

9.7 Work is being undertaken on the system wide transformation and PMO to support this and drive small number of high value focused programmes across the system.

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

21 January 2023