

## Integrated Care Board

<b>Date of meeting</b>	29 March 2023
<b>Title of paper</b>	Finance Report – Month 11
<b>Presented by</b>	Sam Proffitt, Chief Finance Officer
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<b>Agenda item</b>	11
<b>Confidential</b>	No

### Purpose of the paper

This paper reports on the month 11 (February) financial performance for the Lancashire and South Cumbria system. The Finance and Performance Committee met on the 2 March 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 £44.2m at the end of February which is £42.5m worse than plan. This represents a current pressure of £6.9m for the ICB and £35.6m across the Provider Trusts.

The deficit position has improved in comparison to the previous month.

There has been continued focus since the last Board in delivering 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 have continued to impact Provider ability to deliver plans, therefore increasing the risk. Across the Providers and in the ICB, additional focus has been put into delivering a number of mitigating actions required to achieve the year end targets.

Agreement has been reached with NHS England to utilise the system historic surplus of £27m to enable the system to deliver a rolling break-even position at 31 March 2023.

### 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	21 March 2023	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	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			

<b>Report authorised by:</b>	Sam Proffitt, Chief Finance Officer
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# Integrated Care Board – 29 March 2023

## Finance Performance Report – Month 11

### 1.0 Introduction

- 1.1 This paper reports the financial position for the Lancashire and South Cumbria (LSC) health system at the end of February 2022 and provides a robust assessment of the forecast outturn position required for the system to achieve its 2022-23 financial targets.
- 1.2 It also provides an update on the actions that have been taken 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 11, the system is reporting a deficit of £44.2m which is £42.5m worse than plan. This represents a current pressure of £6.9m for the ICB and £35.6m across the Provider Trusts.
- 2.2 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 11					
	Plan YTD £m	Actual YTD £m	Variance YTD £m	Plan FOT £m	Actual FOT £m	Variance FOT £m
Blackpool Teaching Hospitals NHS Foundation Trust	(0.3)	(11.9)	(11.7)	0.0	(8.8)	(8.8)
East Lancashire Hospitals NHS Trust	0.2	(4.9)	(5.1)	0.0	0.0	0.0
Lancashire and South Cumbria NHS Foundation Trust	(0.3)	(2.2)	(1.8)	0.0	0.0	0.0
Lancashire Teaching Hospitals NHS Foundation Trust	(0.5)	(14.4)	(13.9)	0.0	(14.9)	(14.9)
North West Ambulance Service NHS Trust	0.0	4.1	4.1	0.0	4.8	4.8
University Hospitals of Morecambe Bay NHS Foundation Trust	(0.8)	(8.0)	(7.2)	0.0	(8.1)	(8.1)
<b>Provider Sub-Total</b>	<b>(1.8)</b>	<b>(37.3)</b>	<b>(35.6)</b>	<b>0.0</b>	<b>(27.0)</b>	<b>(27.0)</b>
ICB	0.0	(6.9)	(6.9)	0.0	0.0	0.0
<b>CCG Historical Surplus</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>27.0</b>	<b>27.0</b>
<b>ICB SYSTEM TOTAL</b>	<b>(1.8)</b>	<b>(44.2)</b>	<b>(42.5)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 2.3 The deficit position has reduced in comparison to the previous month and the full year forecast remains to reduce the deficit further in the last month of the financial year to achieve the agreed rolling break even position.
- 2.4 The ICB position has seen a £6.0m improvement against a break-even plan with a number of recovery actions now implemented to enable a break-even

position by the end of the year. The Provider Trust position has also improved compared to previous month by £5.0m.

- 2.5 Agreement has been reached with NHS England to utilise the system historic surplus of £27m to enable a rolling break-even position to be achieved as at 31 March 2023.

### **3.0 ICB Financial Performance**

- 3.1 At month 11, the ICB is reporting a year-to-date deficit of £6.9m against a break-even plan, which is a £6.0m improvement from the previous month.
- 3.2 A series of actions have been taken to recover the deficit position which have mitigated the residual risk down to £7.4m at month 11. The risk in 2023/24 has been driven by an underlying deficit, increasing costs of continuing healthcare, prescribing pressures and shortfalls against the savings plans. An action plan was put in place and has been overseen by the ICB Executive Team over the last six months to enable the risk to be mitigated in full. The residual risk is being driven by increasing Prescribing cost pressures in relation to No Cheaper Stock Options (NCSO's), a cost pressure outside the control of the ICB.
- 3.3 Since the finalisation of the month 11 position, additional recovery actions have been confirmed to fully mitigated the residual risk and enable the delivery of a break-even year end position for the ICB. These mitigations include non-recurrent actions including slippage within budgets. All non-recurrent mitigations will need to be addressed recurrently in 2023/24.

### **4.0 Provider Financial Performance**

- 4.1 Providers are reporting a cumulative deficit of £37.3m which is £35.6m worse than plan. This deficit position is partially being driven by costs arising from current operational pressures (£21.0m), pay award pressures (£7.0m) and a shortfall against the Cost Improvement Plans (£9.0m).
- 4.2 The run rates, taking into account inflation and the pay award, which is now included, would be expected to be around 4%. Two of the providers are above this level at 5% (Lancashire Teaching Hospitals) and 7% (Blackpool Teaching Hospitals).
- 4.3 As outlined above, the forecast position for Providers is to deliver a £27.0m deficit as agreed with NHS England. This is to be offset by the system historical surplus brought forward to enable the reporting of a rolling system break even position.

### **5.0 Efficiencies**

- 5.1 Month 11 efficiency performance for Providers and the ICB is shown in **Table 2**. As at month 11, savings of £138.1m have been delivered across the system which is behind plan by £30.8m. Provider savings plans are £8.4m behind plan and ICB savings plans are £22.4m behind plan.

5.2 The full year forecast expects delivery of £153.7m which is £33.1m less than plan and just under half will be delivered recurrently. The ICB is forecasting a £23.6m shortfall against plan, with alternative non-recurrent mitigations in place to bridge the gap. The Provider forecast shortfall is £9.5m which is reflected in the forecast deficit position.

**Table 2: Efficiency performance**

ORGANISATION	2022-23 Plan £m	MONTH 11					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	21.1	5.1	16.0	21.1	0.0	6.6	17.4	24.0	(0.0)	1.0%	2.7%
ELHT	28.8	26.4	14.5	11.9	26.4	0.0	15.9	12.9	28.8	0.0	2.3%	1.9%
LSCFT	18.3	16.7	3.6	8.1	11.7	(5.0)	4.0	8.8	12.8	(5.5)	0.8%	1.8%
LTH	26.3	24.1	9.2	14.7	23.9	(0.3)	9.9	16.2	26.1	(0.2)	1.4%	2.2%
NWAS	15.5	13.9	4.6	9.1	13.7	(0.2)	5.3	10.2	15.5	0.0	1.2%	2.2%
UHMB	22.8	20.0	13.2	4.0	17.1	(2.9)	14.5	4.4	19.0	(3.8)	2.9%	0.9%
<b>Provider Sub-Total</b>	<b>135.7</b>	<b>122.2</b>	<b>50.1</b>	<b>63.7</b>	<b>113.8</b>	<b>(8.4)</b>	<b>56.2</b>	<b>70.0</b>	<b>126.2</b>	<b>(9.5)</b>		
			44%	56%			45%	55%				
ICB	51.0	46.7	12.3	12.0	24.3	(22.4)	15.4	12.0	27.4	(23.6)		
			51%	49%			56%	44%				
<b>ICB TOTAL</b>	<b>186.7</b>	<b>168.9</b>	<b>62.4</b>	<b>75.7</b>	<b>138.1</b>	<b>(30.8)</b>	<b>71.6</b>	<b>82.0</b>	<b>153.7</b>	<b>(33.1)</b>		
			45%	55%			47%	53%				

\* FOT % as % of FOT operating expenses

## 6.0 Cash

6.1 The use of non-recurrent measures in order to deliver the year-end financial position has put pressure on cash balances in providers and cash draw down levels in the ICB.

6.2 **Table 3** below demonstrates the deteriorating cash position for Providers. As at month 11, cash balances are forecast to reduce by £166m during 2022/23, with Lancashire Teaching Hospitals ending the year with only £4m cash.

**Table 3: Movement in cash balances by provider**

6.3 For the ICB, the cash limit equals

	2021/22 Balance £000	M11 Balance £000	Movement £000	Movement %	FOT Balance £000	Movement £000
Blackpool Teaching Hospitals NHS Foundation Trust	75,478	45,772	(29,706)	-39%	46,995	(28,483)
East Lancashire Hospitals NHS Trust	63,275	51,521	(11,754)	-19%	40,713	(22,562)
Lancashire and South Cumbria NHS Foundation Trust	57,556	37,781	(19,775)	-34%	40,757	(16,799)
Lancashire Teaching Hospitals NHS Foundation Trust	61,322	20,704	(40,618)	-66%	3,977	(57,345)
North West Ambulance Service NHS Trust	67,352	75,208	7,856	12%	52,402	(14,950)
University Hospitals of Morecambe Bay NHS Foundation Trust	53,186	23,522	(29,664)	-56%	26,805	(26,381)
<b>Provider Sub-Total</b>	<b>378,169</b>	<b>254,508</b>	<b>(123,661)</b>	<b>-33%</b>	<b>211,649</b>	<b>(166,520)</b>

the Revenue Resource Limit (Programme and Admin allocations). The ICB is currently overdrawing against its cash limit which is in part due to the quarter 1 national directive for CCGs to clear working capital balances before

closedown. The ICB has been successful in securing a working capital adjustment of £62m to help support the cash requirements for year end, with continued close monitoring of the cash position in month 12.

## 7.0 Capital

- 7.1 As at month 11, there is a year-to-date underspend against the profiled capital allocation of £12.9m (13%).
- 7.2 Providers are forecasting to spend £121.1m by year end meaning 29% of the forecast is still yet to be spent in the final month of the year. The capital envelope is £120.2m and the £0.4m forecast underspend relates to an additional allocation but plans are being developed to see how this could be effectively utilised in the final month. The current levels of capital spend by provider are shown in **Table 4**.

**Table 4: Capital Expenditure**

ORGANISATION	MONTH 11				MONTH 11			
	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	22.7	20.1	2.7	12%	26.4	26.0	6.0	23%
East Lancashire Hospitals NHS Trust	10.8	8.9	1.9	18%	12.1	19.5	10.6	54%
Lancashire and South Cumbria NHS Foundation Trust	8.6	8.2	0.5	5%	8.4	9.7	1.5	15%
Lancashire Teaching Hospitals NHS Foundation Trust	21.3	17.6	3.7	17%	23.2	23.0	5.4	23%
North West Ambulance Service NHS Trust	18.5	16.6	1.9	10%	20.3	22.9	6.3	28%
University Hospitals of Morecambe Bay NHS Foundation Trust	17.3	15.0	2.2	13%	20.1	20.0	4.9	25%
<b>PROVIDER TOTAL</b>	<b>99.3</b>	<b>86.4</b>	<b>12.9</b>	<b>13%</b>	<b>110.5</b>	<b>121.1</b>	<b>34.7</b>	<b>29%</b>
<b>Total Provider Allocation</b>						<b>121.5</b>		
<b>Forecast Variance to Allocation</b>						<b>0.4</b>		

## 8.0 Recommendations

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

**Sam Proffitt**

Chief Finance Officer

29 March 2023