

## Integrated Care Board

<b>Date of meeting</b>	5 July 2023
<b>Title of paper</b>	Finance Report – Month 2
<b>Presented by</b>	Sam Proffitt, Chief Finance Officer
<b>Author</b>	Katherine Disley, Director of Operational Finance
<b>Agenda item</b>	13
<b>Confidential</b>	No

### Executive summary

The Integrated Care Board (ICB) is reporting a system deficit of £50.4m which is £6.3m worse than plan at the end of month 2 (May). This represents a current pressure of £6.3m for the Provider Trusts with the ICB reporting a year-to-date break-even position.

The final plan for 2023/24 is a deficit of £80m. The position was agreed with NHS England but with an expectation that we continue to strive for a breakeven position given this is a statutory duty.

There is a significant level of risk built into the plans with:

- a high level of savings totalling £287m to be delivered through each organisation's operations,
- a stretch on top of this of £168m which remain high risk and requires a system approach though the recovery work being developed;
  - £76m stretch for the ICB
  - £72m across the provider acute trust and
  - £20m for out of area placements

There is an urgency to ensure system wide schemes can be delivered though the recovery work to mitigate this and aim to improve the £80m deficit plan position. The recovery approach is being developed and will be discussed in part 2 of the Board Meeting.

### Recommendations

The Lancashire and South Cumbria ICB is asked to **note** the content of this report for the period ending 31 May 2023.

<b>Which Strategic Objective/s does the report contribute to</b>		<b>Tick</b>
1	Improve quality, including safety, clinical outcomes, and patient experience	
2	To equalise opportunities and clinical outcomes across the area	
3	Make working in Lancashire and South Cumbria an attractive and desirable option for existing and potential employees	
4	Meet financial targets and deliver improved productivity	✓

5	Meet national and locally determined performance standards and targets	✓		
6	To develop and implement ambitious, deliverable strategies	✓		
<b>Implications</b>				
	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Comments</b>
Associated risks	Yes			Section 6
Are associated risks detailed on the ICB Risk Register?	Yes			Risk ID ICB-008
Financial Implications	Yes			
<b>Where paper has been discussed (list other committees/forums that have discussed this paper)</b>				
<b>Meeting</b>	<b>Date</b>		<b>Outcomes</b>	
ICB Executive Meeting	27 June 2023		Supported the paper for the Board	
<b>Conflicts of interest associated with this report</b>				
Not applicable				
<b>Impact assessments</b>				
	<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	
<b>Report authorised by:</b>		Sam Proffitt, Chief Finance Officer		

# Integrated Care Board – 5 July 2023

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## Finance Performance Report – Month 2

### 1.0 Introduction

- 1.1 The final plan for 2023/24 is a deficit of £80m. The position was agreed with NHS England (NHSE) but with an expectation that we continue to strive for a breakeven position given this is a statutory duty. NHSE has also confirmed the requirement for a recurrent balance by the start of 2026/27 and deliver a breakeven position in 2024/25 and 2025/26.
- 1.2 This paper reports the financial position at the end of May 2023 and provides an assessment of the risks and mitigating actions required to ensure the Lancashire and South Cumbria (LSC) health system can achieve its 2023/24 financial targets.
- 1.3 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 to manage the risk identified during the planning process.

### 2.0 Current Financial Performance

- 2.1 At the end of month 2, the system is reporting a system deficit of £50.4m which is £6.3m worse than plan. This represents a current pressure of £6.3m for the Provider Trusts with the Integrated Care Board (ICB) reporting a year-to-date break-even position.
- 2.2 All Provider Trusts are forecasting to achieve a year-end break-even position and the ICB is forecasting to achieve its planned £0.5m year-end surplus position.
- 2.3 The month 2 position for the system is provided at **Table 1**.

#### **Table 1: Summary financial position**

ORGANISATION	MONTH 2					
	Plan YTD £m	Actual YTD £m	Variance YTD £m	Plan FOT £m	Actual FOT £m	Variance FOT £m
Blackpool Teaching Hospitals NHS Foundation Trust	(13.8)	(13.9)	(0.0)	(24.3)	(24.3)	0.0
East Lancashire Hospitals NHS Trust	(6.1)	(9.3)	(3.2)	(24.3)	(24.3)	0.0
Lancashire and South Cumbria NHS Foundation Trust	(2.6)	(4.1)	(1.5)	1.6	1.6	(0.0)
Lancashire Teaching Hospitals NHS Foundation Trust	(10.3)	(13.4)	(3.1)	(15.3)	(15.3)	0.0
North West Ambulance Service NHS Trust	(0.8)	0.7	1.5	0.0	0.0	0.0
University Hospitals of Morecambe Bay NHS Foundation Trust	(10.4)	(10.4)	0.0	(18.3)	(18.3)	0.0
<b>Provider Sub-Total</b>	<b>(44.0)</b>	<b>(50.4)</b>	<b>(6.3)</b>	<b>(80.5)</b>	<b>(80.5)</b>	<b>(0.0)</b>
ICB	(0.0)	(0.0)	(0.0)	0.5	0.5	0.0
<b>ICB SYSTEM TOTAL</b>	<b>(44.0)</b>	<b>(50.4)</b>	<b>(6.3)</b>	<b>(80.0)</b>	<b>(80.0)</b>	<b>(0.0)</b>

### 3.0 ICB Financial Performance

- 3.1 At the end of month 2, the ICB is reporting a year-to-date break-even position in line with plan.
- 3.2 Acute and Primary Care Services have reported overspends as at month 2, in relation to final cost data being received for 2022/23 that is higher than estimated at year end. These are largely one-off pressures and mitigations have been identified to ensure delivery of a balanced position.
- 3.3 The ICB is currently forecasting to deliver its planned full year £0.5m surplus position, which includes the assumption that the risk identified as part of the planning process of £76m is fully mitigated and that the QIPP programme will deliver in full against the target of £97m.
- 3.4 A financial sustainability group has been established, co-chaired by the Director of Nursing and Director of Finance to oversee the ICB savings plans ensuring that quality impact assessments are in place and financial savings trajectories remain on plan. The meeting is held twice a month, reports to the Finance and Performance Committee and is attended by all the saving scheme leads. The largest programmes relate to the new Continuing Health Care (CHC) model of care, corporate infrastructure, prescribing efficiencies, a review of contracts and a drive for best value for all investments.

### 4.0 Provider Financial Performance

- 4.1 Providers are reporting a year-to-date deficit of £50.4m against a planned deficit of £44m (see **table 1** above). The adverse variance of £6.4m was driven by:
- East Lancashire Hospitals Trust (ELHT) (£3.2m): £2.5m Cost Improvement Plan (CIP) slippage, £2m system stretch, offset by £1.3m of mitigations.
  - Lancashire and South Cumbria FT (LSCFT) (£1.5m): £0.4m CIP slippage, £1.1m pressures which reflects the out of area pressures of £3.1m offset by slippage in other areas.

- Lancashire Teaching Hospitals Trust (LTH): (£3.1m): £1.5m CIP slippage, £1.1m impact of industrial Action (costs and lost income), £0.5m other.
- Northwest Ambulance Service (NWAS) is £1.5m better than plan which is offsetting other Provider adverse movements.
- Blackpool Teaching Hospitals Trust (BTH) and University Hospitals Morecambe Bay Trust (UHMBT) remain on plan.

## 5.0 Efficiencies

- 5.1 Month 2 efficiency performance is shown in **Table 2** below. As at month 2, savings of £20.9m have been delivered across the ICB which is behind plan by £7.2m. Provider savings plans are £3.9m behind plan and ICB savings plans are £3.3m behind plan.
- 5.2 In total, across all organisations, 62% of year-to-date savings have been delivered recurrently and the current forecast is showing that 66% will be delivered recurrently by the end of the year.
- 5.3 The full year forecast for all organisations is to achieve £299.0m which is an increase of £12.3m above plan. This increase because ELHT has moved the £12.3m system stretch from “other income” to efficiency so it is transparent to their Board.

**Table 2: Efficiency performance**

ORGANISATION	2023-24 Plan £m	MONTH 2					FOT					
		YTD Plan	YTD Recurrent	YTD Non-Rec	YTD Total	Variance to plan	FOT Recurrent	FOT Non-Rec	FOT Total	Variance to plan	FOT Recurrent	FOT Non-Rec
		£m	£m	£m	£m	£m	£m	£m	£m	£m	%	%
BTH	37.7	1.3	0.9	0.8	1.7	0.5	32.6	5.1	37.7	(0.0)	86%	14%
ELHT	42.3	7.0	0.0	4.5	4.6	(2.5)	16.4	38.2	54.6	12.3	30%	70%
LSCFT	18.6	0.8	0.4	0.0	0.4	(0.4)	11.8	6.8	18.6	0.0	63%	37%
LTH	48.5	4.1	2.5	0.2	2.6	(1.5)	47.2	1.4	48.5	0.0	97%	3%
NWAS	12.2	1.2	0.8	0.4	1.2	(0.0)	9.2	3.0	12.2	0.0	76%	24%
UHMB	30.5	2.0	2.0	-	2.0	(0.0)	30.5	-	30.5	0.0	100%	0%
<b>Provider Sub-Total</b>	<b>189.7</b>	<b>16.5</b>	<b>6.6</b>	<b>6.0</b>	<b>12.6</b>	<b>(3.9)</b>	<b>147.6</b>	<b>54.5</b>	<b>202.1</b>	<b>12.3</b>	<b>73%</b>	<b>27%</b>
ICB	97.0	11.6	5.2	3.2	8.3	(3.3)	50.4	46.6	97.0	0.0	52%	48%
<b>ICB TOTAL</b>	<b>286.7</b>	<b>28.2</b>	<b>11.8</b>	<b>9.1</b>	<b>20.9</b>	<b>(7.2)</b>	<b>198.0</b>	<b>101.0</b>	<b>299.0</b>	<b>12.3</b>	<b>66%</b>	<b>34%</b>

## 6.0 Risks and Mitigation

- 6.1 In setting the plan for 2023/24 the level of savings plans are high at £287m across the system. This represents 6.8% of the total allocation for the system and approximately 5% for providers.
- 6.2 The savings schemes are profiled across the year with more expected in the latter months and almost half remain high risk at the end of month 2. There has been a much greater focus within all organisations on the delivery of savings plans and ensuring they can be delivered recurrently as the work

matures through the year. It will be essential that this work continues to maintain this focus to ensure delivery.

- 6.3 The ICB had already set a stretch target in its budgets of £76m before setting a savings target of £97m. This stretch was mainly achieved through the review of budgets and planned investment and ensuring a return on any planned investment. The actions behind this stretch are being monitored along with savings schemes through the ICB Sustainability Group. The total stretch and savings plans total £173m with £57.5m assessed as low risk and in place, £55m as medium risk with plans in place but to yet to be delivered and £60m as high risk and not yet fully identified. The high-risk areas largely relate to the review of contracts which is continuing through the Commissioning Resource Group (CRG).
- 6.4 LSCFT also identified a stretch outside of their savings plans of £20m for out of area placements which remains a system risk and the ICB and Trust are continuing to work together to mitigate and deliver solutions for this.
- 6.5 Finally a system wide stretch target set of £72m was agreed in finalising the plan which remains high risk and is profiled largely into the last 3 quarters of the year. There is an urgency to ensure system wide schemes can be delivered through the recovery work to mitigate this. The recovery approach is being developed and will be discussed in part 2 of the Board.
- 6.6 In summary there is a significant level of risk built into the plans with:
- a high level of savings totalling £287m to be delivered through each organisation's operations
  - a stretch on top of this of £168m which remains high risk and requires a system approach through the recovery work being developed.
    - £76m stretch for the ICB,
    - £72m across the provider acute trust and
    - £20m for out of area placements.

## 7.0 Capital

- 7.1 The provider capital envelope for 2023/24 is £113.9m. A plan was set of £114.9m on the basis this would be managed down to £113.9m in year (see **Table 4** below). At month 2, Providers have spent £7.7m, which is £1.5m behind plan. As with previous years, the spend profile does accelerate during the course of the year.

### **Table 4: Capital Expenditure**

ORGANISATION	MONTH 2				MONTH 2			
	Plan YTD £m	Actual YTD £m	Variance YTD £m	Variance %	Plan FOT £m	Actual FOT £m	FOT still to spend £m	FOT % to spend
Blackpool Teaching Hospitals NHS Foundation Trust	1.7	0.9	0.8	46%	21.1	21.1	20.2	96%
East Lancashire Hospitals NHS Trust	1.3	1.0	0.2	16%	14.0	14.0	13.0	93%
Lancashire and South Cumbria NHS Foundation Trust	2.0	2.0	(0.1)	(4%)	14.4	14.4	12.3	86%
Lancashire Teaching Hospitals NHS Foundation Trust	2.0	2.5	(0.5)	(25%)	22.4	22.4	19.8	89%
North West Ambulance Service NHS Trust	0.7	0.1	0.6	86%	23.8	23.8	23.7	100%
University Hospitals of Morecambe Bay NHS Foundation Trust	1.5	1.0	0.5	33%	19.2	19.2	18.2	95%
<b>PROVIDER TOTAL</b>	<b>9.2</b>	<b>7.7</b>	<b>1.5</b>	<b>16%</b>	<b>114.9</b>	<b>114.9</b>	<b>107.2</b>	<b>93%</b>
Total Provider Allocation						113.9		
Forecast Variance to Allocation						(1.0)		

## 8.0 Recommendations

- 8.1 The Lancashire and South Cumbria ICB is asked to note the content of this report for the period ending 31 May 2023.

**Sam Proffitt**

Chief Finance Officer

5 July 2023