

Integrated Care Board

Date of meeting	13 September 2023
Title of paper	Finance Performance Report – Month 4
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Agenda item	9
Confidential	No

Executive summary

The Lancashire and South Cumbria health system continues to manage a high level of financial risk to meet or improve upon the £80m deficit plan for 2023/24.

A high value of developed savings plans across the Integrated Care Board (ICB) and Providers must be delivered along with an extra ambition to deliver system wide recovery savings of £72m. This plan has been impacted with further risk at month 4 as the ICB has incurred additional cost pressures associated with prescribing and continuing health care costs. The majority of these are linked to price and inflation pressures and similar pressures are being experienced in other ICBs. However, Lancashire and South Cumbria system are seeing some of the highest costs in the country. Some providers are also incurring additional costs associated with industrial action.

In addition, the recovery actions to deliver the stretch target of £72m have not yet begun to impact so although the run rate has stabilised it has not started to fall in line with the expectations of the plan.

As at the 31 July 2023 (month 4), the ICB is reporting a system deficit of £112.0m which is £36.8m worse than plan. This represents a current pressure of £13.1m for the Provider Trusts who have a combined deficit of £88m and the ICB reporting a year-to-date deficit of £23.7m against a break-even plan.

Work is being undertaken in the ICB through the Sustainability Group reviewing further options to enable the plan to be met.

The newly established Recovery Board will also meet in September with a focus on the system wide recovery and transformation schemes. It is expected that a number of actions will be described which will support the development and delivery of these schemes.

The main risks are associated with the new pressures and the stretch target. However, the system is still forecasting to deliver a full year £80.0m deficit in line with plan. Further plans will need to be identified and delivered in order to mitigate the risk.

The recovery work and further potential mitigations are being discussed in Part 2 of the Board.

Recommendations

The Lancashire and South Cumbria ICB is asked to **note**:

- the content of this report for the period ending 31 July 2023,
- the high risk of approx. £200m to the year end planned deficit position of £80m and
- the work required to further mitigate the position.

Which Strategic Objective/s does the report relate to:

Tick

SO1	Improve quality, including safety, clinical outcomes, and patient experience	
SO2	To equalise opportunities and clinical outcomes across the area	
SO3	Make working in Lancashire and South Cumbria an attractive and desirable option for existing and potential employees	
SO4	Meet financial targets and deliver improved productivity	Y
SO5	Meet national and locally determined performance standards and targets	Y
SO6	To develop and implement ambitious, deliverable strategies	Y

Implications

	Yes	No	N/A	Comments
Associated risks				
Are associated risks detailed on the ICB Risk Register?	X			
Financial Implications	X			

Where paper has been discussed (list other committees/forums that have discussed this paper)

Meeting	Date	Outcomes
Executive Team	05.09.23	Approved

Conflicts of interest associated with this report

Not applicable

Impact assessments

	Yes	No	N/A	Comments
Quality impact assessment completed			X	
Equality impact assessment completed			X	
Data privacy impact assessment completed			X	

Report authorised by:

Sam Proffitt, Chief Finance Officer

Integrated Care Board – 13 September 2023

Finance Performance Report – Month 4

1.0 Introduction

- 1.1 This paper reports the financial position at the end of July 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.
- 1.2 It also provides an update on the actions that have been taken to mitigate financial risk across the system and deliver against the financial recovery plan.
- 1.3 The Lancashire and South Cumbria health system identified a high level of risk at its planning stage to deliver its year-end target of £80m deficit. This was driven by a number of factors including:
- high inflation,
 - non recurrent delivery of previous savings plans,
 - withdrawal of convergence funding as the system moves towards to target allocation and
 - the removal of covid funding whilst managing the ongoing pressure particularly within the urgent and emergency care pathway.
- 1.4 Despite these pressures the system worked collectively put forward plans to mitigate the risk whilst the longer-term recovery and transformation work was developed and implemented. This longer-term work will drive improved quality whilst removing waste and duplication to ensure the system meets its strategic aims. These aims include better outcomes for the population within a financially sustainable budget.
- 1.5 There are improved processes and plans in place in 2023/24 to deliver the savings schemes but the level of savings is high with Trusts planning for savings representing 5% of their base cost or £190m. The ICB is also planning to deliver £173m of savings including the planning mitigations and Quality Innovation Productivity and Prevention (QiPP) Schemes. In addition to this provider stretch savings of £72m are assumed to be delivered to reach the £80m deficit through system wide recovery work.
- 1.6 At month 4 the risk to the plan has increased as new pressures have emerged and some existing schemes needed to be mitigated. Work is being undertaken to review further options to enable the plan to be delivered. These pressures include pressures on prescribing and continuing health care for inflation and prices in addition to the impact of the industrial action within Providers.

2.0 Current Financial Performance

1.2 At the end of month 4, the system is reporting a system deficit of £112.0m which is £36.8m worse than plan. This represents a current pressure of £13.1m for the Provider Trusts reporting an £88m deficit and the ICB reporting a year-to-date deficit position of £23.7m.

1.3 All Provider Trusts are currently forecasting to achieve a year-end break-even position and the ICB forecasting to achieve its planned £0.5m year-end surplus position.

1.4 The month 4 position for the system is provided at **Table 1**.

2 Table 1: Summary financial position

ORGANISATION	MONTH 4					
	Plan YTD £m	Actual YTD £m	Variance YTD £m	Plan FOT £m	Actual FOT £m	Variance FOT £m
Blackpool Teaching Hospitals NHS Foundation Trust	(24.4)	(24.3)	0.0	(24.3)	(24.3)	0.0
East Lancashire Hospitals NHS Trust	(10.8)	(16.4)	(5.6)	(24.3)	(24.3)	0.0
Lancashire and South Cumbria NHS Foundation Trust	(4.2)	(7.8)	(3.5)	1.6	1.6	0.0
Lancashire Teaching Hospitals NHS Foundation Trust	(17.0)	(23.5)	(6.5)	(15.3)	(15.3)	0.0
North West Ambulance Service NHS Trust	(1.2)	1.2	2.4	0.0	0.0	0.0
University Hospitals of Morecambe Bay NHS Foundation Trust	(17.6)	(17.6)	0.0	(18.3)	(18.3)	(0.0)
Provider Sub-Total	(75.2)	(88.3)	(13.1)	(80.5)	(80.5)	0.0
ICB	0.0	(23.7)	(23.7)	0.5	0.5	(0.0)
ICB SYSTEM TOTAL	(75.2)	(112.0)	(36.8)	(80.0)	(80.0)	(0.0)

3.0 ICB Financial Performance

3.1 At the end of month 4, the Integrated Care Board (ICB) is reporting a year-to-date deficit of £23.7m against a planned break-even position.

3.2 The reported deficit position is being driven by in-year cost pressures relating to continuing health care packages of care pressures, prescribing pressures and increased risks of delivery against planned savings schemes.

3.3 In year cost pressures identified in Continuing Care Services are £42m for the year which is largely in relation to package of care inflationary cost pressures. In year costs for Prescribing have also been identified at £11m for the year relating to inflationary and price pressures, driven national drug supply issues referred to as 'No Cheaper Stock Option (NCSO's). This additional annual pressure of £53m has driven £17.7m of the deficit at month 4.

3.4 The remaining £6m of pressure at month 4 relate to the high-risk schemes which require alternative solutions to enable the ICB to deliver its year end plan of £0.5m surplus position. Schemes totaling £173m need to be delivered during

the year for the ICB to deliver its plan. This comprises schemes to mitigate the risks as part of the planning process of £76m and the QIPP programme target of £97m. At month 4, the ICB had identified £50m of high risk requiring alternative plans to mitigate before the end of the year.

- 3.5 A detailed review of Continuing Health Care packages is being undertaken under the leadership of the Chief Nursing Officer. This work includes a review of the backlog of cases which required a review plus the transfer of the full service from the Commissioning Support Unit (CSU) to the ICB from 1st October. The backlog review has commenced, and the new service model is in the process of being implemented with an additional aim to mitigate the new financial pressures once the service is fully transferred in October.
- 3.6 The inflationary pressures and national pricing issues are being raised with NHSE to assess how these pressures can be mitigated or supported.
- 3.7 The £23.7m current pressure exists whilst these actions are undertaken and reflects a full year risk of £53m of new pressures plus £50m of high-risk savings schemes.
- 3.8 Further work is being undertaken by ICB Executives and with the Senior Leadership Team to identify actions to mitigate against the non-delivery of the high-risk schemes and find alternative solutions. At this stage the ICB is continuing to forecast to achieve its year end planned surplus of £0.5m. Updates from the Sustainability Group which is co-chaired by the Chief Finance Officer and Chief Nursing Officer are provided to the Finance and Performance Committee. Further updates on the risk and potential mitigation will be report to the next Board meeting.

4.0 Provider Financial Performance

- 4.1 Providers are reporting a year-to-date deficit of £88.3m against a planned deficit of £75.2m. The adverse variance of £13.1m was driven by:
 - East Lancashire Hospitals Trust (£5.6m): £3.7m CIP slippage, £1.5m unachieved system stretch, £2.5m strike action offset by £2.1m of mitigations.
 - Lancashire and South Cumbria FT (£3.5m) which is primarily all related to Out of Area Placements (OAPs).
 - Lancashire Teaching Hospitals Trust: (£6.5m): £2.6m unachieved system stretch, £2.5m CIP slippage, £3.0m strike action (costs and lost income).
 - North West Ambulance Service (NWAS) is £2.4m better than plan which is offsetting other Provider adverse movements. This is expected to correct itself by the year-end as planned investments come on stream.
- 4.2 Blackpool Teaching Hospitals and University Hospitals Morecambe Bay are on plan having mitigated the impact of strike action and the system planning gap.

4.3 The provider stretch target of £72m is outside of the CIP plans for Providers with only ELHT including it in their CIPs but indicating high risk against that position. The system wide recovery and transformation schemes will support the longer-term delivery of improved quality and outcomes whilst delivering financial sustainability. Action will also be needed to support the immediate actions required in 2023/24 to close this position. These schemes include corporate shared services, improved patient flow, moving capacity to out of hospital settings, and better productivity through elective work and diagnostic services. This will be a focus at the Recovery and Transformation Board in September and further updates on progress will be brought back to the next Board meeting.

5.0 Efficiencies

5.0 Month 4 efficiency performance is shown in **Table 2**. As at month 4, savings of £45.8m have been delivered across the ICB which is behind plan by £18.0m. Provider savings plans are £5.1m behind plan and ICB savings plans are £12.9m behind plan.

5.1 In total, across all organisations, 57% of year-to-date savings have been delivered recurrently and the current forecast is showing that 73% will be delivered recurrently by the end of the year.

5.2 The full year forecast for all organisations is to achieve £299m which reflects the £97m QIPP in the ICB and £190m in Provider Cost Improvement Plans (CIP) plus £12m of the stretch target included by ELHT within the CIPs.

Table 2: Efficiency performance

ORGANISATION	2023-24 Plan £m	MONTH 4					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	37.7	6.1	2.9	3.4	6.4	0.3	22.1	15.6	37.7	(0.0)	59%	41%
ELHT	42.3	14.1	1.8	8.6	10.4	(3.7)	28.2	26.4	54.6	12.3	52%	48%
LSCFT	18.6	2.3	1.6	0.9	2.5	0.2	11.1	7.5	18.6	0.0	60%	40%
LTH	48.5	10.0	6.8	0.6	7.5	(2.5)	46.3	2.2	48.5	0.0	95%	5%
NWAS	12.2	2.9	1.9	0.9	2.9	0.0	9.3	2.9	12.2	0.0	76%	24%
UHMB	30.5	5.1	3.6	2.1	5.7	0.7	24.2	6.2	30.5	0.0	80%	20%
Provider Sub-Total	189.7	40.5	18.8	16.6	35.4	(5.1)	141.2	60.8	202.1	12.3	70%	30%
ICB	97.0	23.3	7.5	2.9	10.4	(12.9)	76.0	21.0	97.0	0.0	78%	22%
ICB TOTAL	286.7	63.7	26.3	19.5	45.8	(18.0)	217.2	81.8	299.0	12.3	73%	27%

6.0 Capital

6.1 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 as shown in **Table 3**. At Month 4, Providers have spent £17.7m, which is £7.9m behind plan. As with previous years, the spend profile is expected to accelerate during the course of the year to meet the planned expenditure..

Table 3: Capital Expenditure

ORGANISATION	MONTH 4				MONTH 4			
	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	5.4	2.4	3.0	55%	21.1	19.4	17.0	87%
East Lancashire Hospitals NHS Trust	3.7	3.4	0.3	8%	14.0	14.0	10.6	76%
Lancashire and South Cumbria NHS Foundation Trust	4.7	5.0	(0.4)	(8%)	14.4	14.4	9.3	65%
Lancashire Teaching Hospitals NHS Foundation Trust	5.1	3.9	1.2	23%	22.4	22.4	18.5	83%
North West Ambulance Service NHS Trust	1.7	0.5	1.3	74%	23.8	23.8	23.3	98%
University Hospitals of Morecambe Bay NHS Foundation Trust	5.1	2.5	2.6	51%	19.2	19.2	16.7	87%
PROVIDER TOTAL	25.6	17.7	7.9	31%	114.9	113.2	95.5	84%
Total Provider Allocation						113.9		
Forecast Variance to Allocation						0.7		

7.0 Recommendations

7.1 The Lancashire and South Cumbria ICB is asked to

- note the content of this report for the period ending 31 July 2023,
- the high risk to the year end planned deficit position of £80m and
- the work required to further mitigate the position through the ICB Sustainability Group and the System Wide Recovery work.

Sam Proffitt

Chief Finance Officer

13 September 2023