

Item: 14

REPORT CLASSIFICATION	✓	CATEGORY OF PAPER	✓
Official	✓	Proposes specific action	
Official: Sensitive Commercial		Provides assurance	✓
Official: Sensitive Personal		For information only	

BOARD
26 NOVEMBER 2024

Report Title: **NENC ICB and ICS Finance Report – M6 2024/25**

Purpose of report

To provide the Board with an update on the financial performance of the North East and North Cumbria Integrated Care Board (NENC ICB) and NENC Integrated Care System (ICS) in the financial year 2024/25 for the six months to 30 September 2024.

Key points

Month 6 2024/25 Financial Position update:

ICS Revenue Position:

Deficit support funding of £49.95m was received in month 6 to offset the agreed deficit plan for the year. As a result, the full year ICS financial plan is now a breakeven position. NHS England have confirmed this deficit support funding will not be repayable by the ICS as long as the planned position is delivered for the year (i.e. as long as a breakeven position is now achieved).

As at 30 September 2024, the ICS is reporting a year to date deficit of £17.58m compared to a planned deficit of £21.17m, a favourable variance of £3.58m. This is an improved position from month 5 (£0.5m adverse variance) largely reflecting industrial action funding received in month 6. The month 6 position includes a number of specific financial pressures including in particular the impact of NICE approved drugs and devices, estimated at £25m across the ICS, together with costs associated with escalation beds and under-delivery against year to date efficiency targets.

The year to date deficit position is expected to be recovered over the second half of the year, reflecting the phasing of efficiency plans, however this will continue to be challenging to deliver.

Across the ICS, total efficiency delivery is slightly behind plan year to date (£2.75m) but is forecast to be slightly ahead of plan by the end of the year (£5.15m forecast over-delivery). Within that however, it should be noted that there is an under-delivery of recurrent efficiencies (£21.5m for the six month period and £29.3m forecast under-delivery) which is being offset by non-recurring savings. The vital importance of delivery of recurrent efficiencies is being continually reaffirmed with ICS Chief Executives and Directors of Finance given the underlying financial challenges facing the ICS going forward.

ICB Revenue Position:

As at 30 September 2024 the ICB is reporting a year to date surplus of £27.35m and a forecast surplus of £53.6m in line with plan.

At this stage of the year there is still relatively limited data available for the majority of commissioned services, with a time lag of two months in respect of prescribing data and other activity based contract information.

ICB Running Costs:

The ICB is reporting an underspend position against running cost budgets of £1.84m year to date and forecast underspend of £3.63m, mainly due to vacancies. An underspend on running cost budgets was expected in the current year as the full reduction in running cost allowance does not materialise until 2025/26. The underspend helps to mitigate pressures on programme budgets.

ICS Capital:

Excluding IFRS 16, ICS capital spending forecasts are currently in line with plan however this includes an allowable 5% 'over-programming' hence the forecast is £9.11m in excess of the ICS capital allocation. This is expected to be managed over the remainder of the year.

Including IFRS 16, a forecast overspend compared to capital allocation of £20.44m is reported at month 6 which reflects specific pressures in one provider trust relating to rent reviews from NHS Property Services. This is being reviewed with NHS England (NHSE) against identified IFRS 16 funding envelope.

Medium Term Financial Plan update:

A refresh of the MTFP is currently being undertaken. There was a submission of a draft to NHSE in September. The principles of the refresh are an extension of the model prepared in 2023/24 with the ability to see a position by each provider (in 2023/24 these were summarised) and building in the ability to track the actual position in 2024/25 so that we can see underlying and in year position and any movements.

We are still in the process of completion of the model and the financial recovery plan, but it is planned that a draft will be taken through the FPIC of the ICB, the executive committee of the ICB and the ICS Chief Executive Forum for consideration and support before coming to the Board for approval.

The model will show the do nothing position for the ICS and then the level of efficiencies needed delivery of the ICS financial strategy to deliver financial sustainability across the ICB in line with NHSE expectations taking into account the financial challenges faced in NENC. As the new detail in the plan will allow for us to look at the projected mandate split and specific organisation items it is intended to be used as the basis for the system annual planning for 25/26 which we believe is to be on a shortened timescale to 24/25. Although national timescales on release of guidance may be delayed the model will allow for the ICS to commence planning and move forwards in the absence of guidance.

Risks and issues

A number of potential financial risks were identified within the financial plan, both for the ICB and wider ICS, totalling over £417m. Net unmitigated risk in the plan amounted to £161m across the system. This largely relates to the delivery of required efficiency plans which are higher than those delivered in 2023/24.

At month 6 this unmitigated financial risk is estimated and has been reported to NHSE at £74m (reduced from £82m at month 5) although work continues across the system to review this. This includes unmitigated net risks of £15m for the ICB, predominantly relating to prescribing, CHC and delivery of efficiencies.

Work continues to review the position across the system and seek to identify further mitigations. Work is also continuing on updating the medium term financial plan across the ICS and delivery of related financial recovery plans and programmes via the System Recovery Board working closely with the Provider Collaborative.

To support delivery of the financial position, an independent review of financial grip and control measures across all organisations within the ICS is underway, supported by internal audit and PWC. The review is focused on actions that can be taken to reduce the rate of expenditure and support delivery of the financial plan for the year. The review covers controls over areas such as workforce and non-pay spend, as well as reviewing efficiency plans across the system to make sure they are deliverable, or to take action where this is not the case. Initial reports are currently being finalised and will be reviewed over the coming weeks to agree implementation of actions at either individual organisational level or across the system.

Assurances and supporting documentation

ICB finance teams will monitor and report monthly on the risks noted above. This will include actions being taken to mitigate these risks.

The ICB Chief Finance Officer meets monthly with the ICS Directors of Finance to review the ICS finance position.

The financial position of both the ICB and the wider ICS will continue to be reviewed in detail on a monthly basis by the Finance, Investment and Performance Committee and the ICB Executive Committee.

The System Recovery Board will continue to oversee the delivery of the agreed financial recovery programme and receive assurance on the delivery of organisational efficiency plans. A dedicated ICS transformation director supporting financial recovery has also recently been appointed to support the delivery of the efficiency programme across the system.

Recommendation/action required

The Board is asked to:

- note the latest year to date and forecast financial position for 2024/25,
- note there are a number of financial risks across the system still to be managed.

Acronyms and abbreviations explained

ARRS – Primary Care Networks Additional Roles Reimbursement Scheme

BPPC – Better Payment Practice Code

CHC – Continuing Healthcare

ERF – Elective Recovery Fund

FPIC – Finance, Performance and Investment Committee

FT – NHS Provider Foundation Trust

ISFE – Integrated Single Financial Environment (financial ledger system)

MHIS – Mental Health Investment Standard

MTFP – Medium Term Financial Plan

NHSE – NHS England

QIPP – Quality, Innovation, Productivity and Prevention

POD – Pharmacy, Ophthalmic and Dental

YTD – Year to Date

Executive Committee Approval

N/A

Sponsor/approving executive director

David Chandler, Chief Finance Officer

Date approved by executive director

11/11/24

Report author

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Link to ICP strategy priorities (please tick all that apply)

Longer and Healthier Lives

✓

Fairer Outcomes for All

✓

Better Health and Care Services

✓

Giving Children and Young People the Best Start in Life

✓

Relevant legal/statutory issues

Note any relevant Acts, regulations, national guidelines etc

Any potential/actual conflicts of interest associated with the paper? (please tick)

Yes

No

✓

N/A

Equality analysis completed

Yes

No

N/A

✓

(please tick)						
If there is an expected impact on patient outcomes and/or experience, has a quality impact assessment been undertaken? (please tick)	Yes		No	✓	N/A	
Key considerations						
Financial implications and considerations	The report summarises the latest financial position for both the ICB and ICS.					
Digital implications	N/A					
Clinical involvement	N/A					
Health inequalities	N/A					
Patient and public involvement	N/A					
Partner and/or other stakeholder engagement	Position reviewed with system partners via Directors of Finance and Chief Executive meetings					
Other resources	N/A					

Version Control

Version	Date	Author	Update comments
1.0	06/11/24	Richard Henderson	Updated from Exec Committee report
2.0	11/11/24	Richard Henderson	Update on MTFP added Approved by DC