

Item: 10.2

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

## BOARD

30 JULY 2024

**Report Title:**

**NENC ICB and ICS Finance Report – M2 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 two months to 31 May 2024.

### Key points

#### **2024/25 Financial Plan update:**

The updated 2024/25 financial and operational plan was presented to Board for approval on 4 June 2024. The financial plan showed an overall ICS deficit position of £75.6m which included the impact of a technical accounting change relating to the treatment of PFI (Public Finance Initiative) expenditure. Excluding this technical accounting change, the overall ICS position was a net deficit of £49.9m.

A final plan submission was then required by NHS England on 12 June 2024 which included a funding allocation to offset the impact of the PFI accounting treatment in line with the expectations and calculations of the ICS. The final submitted plan reflects a deficit for the ICS of £49.9m as approved by Board.

It is expected a funding allocation will be received from NHS England in the coming months to offset this planned deficit, allowing the ICS to report an expected breakeven position.

#### **Month 2 2024/25 Financial Position update:**

For month 2 reporting only year to date revenue figures were required by NHSE with forecast positions assumed to be in line with 2024/25 financial plans which were resubmitted on 12 June 2024.

Capital figures were also not required by NHSE at month 2. The final submitted financial plan showed a potential pressure on capital funding of £20m relating to building rectification work at one provider trust.

#### **ICS Revenue Position:**

As at 31 May 2024, the ICS is reporting a year to date deficit of £26.76m compared to a planned deficit of £24.67m (based on May 2024 financial plan submission). The adverse variance of £2.09m reflects pressures in provider positions, in particular costs associated with increased activity, including drugs and devices, and under-delivery of efficiency plans.

This is forecast to be managed back in line with plan by the end of the year.

Across the ICS, total efficiencies of £61.63m have been delivered in the two months, slightly below plan of £64.35m. It should be noted that recurrent efficiencies for the two month period are £9.2m below plan, which is being offset by non-recurring savings.

### **ICB Revenue Position:**

As at 31 May 2024 the ICB is reporting a year to date surplus of £8.94m and a forecast surplus of £53.6m in line with plan.

At this stage of the year there is always very 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 a breakeven position against running cost budgets.

### **ICB Debt Management Strategy**

In accordance with the ICB Standing Financial Instructions (section 5.3), the ICB debt management strategy should be reviewed and endorsed by the Board every 12 months. The strategy has recently been reviewed and updated and the latest version is attached as appendix 1. The debt management strategy covers the end-to-end process from debt creation to collection or write-off and is supported by more detailed financial procedures notes.

It is proposed the Standing Financial Instructions (SFIs) will be reviewed and updated to remove the need for Board to review the strategy every 12 months, with review by Board at least every 3 years suggested. A full review and update of the ICB governance handbook is planned, which will include any proposed change to the SFIs.

## **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 amounts to £161m across the system. This largely relates to the delivery of required efficiency plans which are higher than those delivered in 2023/24.

Work continues to review the position and unmitigated risk across the system with the aim to identify further mitigations to achieve plan and mitigate risk. 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.

## **Assurances**

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.

Work is continuing on the medium term financial plan and financial recovery programme for the ICS via the System Recovery Board.

## Recommendation/action required

The Board is asked to:

- note the final ICS financial plan position submitted on 12 June 2024,
- 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,
- review and endorse the latest version of the ICB debt management strategy.

## Acronyms and abbreviations explained

ARRS – Primary Care Networks Additional Roles Reimbursement Scheme  
 BPPC – Better Payment Practice Code  
 CHC – Continuing Healthcare  
 ERF – Elective Recovery Fund  
 FT – NHS Provider Foundation Trust  
 ISFE – Integrated Single Financial Environment (financial ledger system)  
 MHIS – Mental Health Investment Standard  
 NHSE – NHS England  
 QIPP – Quality, Innovation, Productivity and Prevention  
 POD – Pharmacy, Ophthalmic and Dental  
 YTD – Year to Date

<b>Executive Committee Approval</b>	9 July 2024
<b>Sponsor/approving executive director</b>	David Chandler, Chief Finance Officer
<b>Date approved by executive director</b>	17 July 2024
<b>Report author</b>	R Henderson, Director of Finance (Corporate) A Thompson, Senior Finance Manager

## 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

<b>Any potential/actual conflicts of interest associated with the paper?</b> (please tick)	<b>Yes</b>		<b>No</b>	✓	<b>N/A</b>	
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If yes, please specify

<b>Equality analysis completed</b> (please tick)	<b>Yes</b>		<b>No</b>		<b>N/A</b>	✓
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<b>If there is an expected impact on patient outcomes and/or experience, has a quality impact assessment been undertaken?</b> (please tick)	<b>Yes</b>		<b>No</b>	✓	<b>N/A</b>	
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## Key implications

<b>Are additional resources required?</b>	n/a
<b>Has there been/does there need to be appropriate clinical involvement?</b>	n/a

<b>Has there been/does there need to be any patient and public involvement?</b>	n/a
<b>Has there been/does there need to be partner and/or other stakeholder engagement?</b>	Yes, engagement within the ICB and the wider ICS

## Version Control

Version	Date	Author	Update comments
<b>1.0</b>	01/07/24	Richard Henderson	Updated from exec committee report
<b>2.0</b>	02/07/24	David Chandler	Approved – minor amends