

Item: 13

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

BOARD

30 SEPTEMBER 2025

Report Title:

NENC ICB and ICS Finance Report – M4 2025/26

Purpose of report

To provide 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 2025/26 for the four months to 31st July 2025.

Given the increased focus on financial delivery at an organisational level by NHSE the report includes additional key information for the ICB.

Key points

ICS Revenue Position:

As at 31 July 2025, the ICS is reporting a year-to-date deficit of £24.99m compared to a planned deficit of £28.19m. The favourable variance to plan of £3.2m is a worsened position from the previous month (£6.2m ahead of plan at month 3) and continues to include a one-off benefit of £6.5m relating to a land sale in one provider trust which was planned for later in the financial year. Excluding that benefit, the ICS position would be behind plan.

Pressures are being seen across a number of providers due to under-delivery of efficiencies, together with the impact of pressures such as the costs of covering industrial action.

Across the ICS, total year to date efficiencies continue to be behind plan but the position has stabilised in month 4 at a £4.6m shortfall. The position on recurrent efficiency plans continues to deteriorate however with £17m under-delivery reported for the four months and forecast under-delivery of £20m. Whilst a significant amount of recurrent savings are still being delivered, this shortfall will likely worsen the underlying financial deficit across the system and organisations are being asked to take appropriate action where required to recover that position. Newcastle upon Tyne Hospitals NHSFT (NUTH) have the most material variances on recurrent efficiency delivery at month 4 and further assurances are being sought via the System Recovery Board from the Trust on their recurrent efficiency programme and mitigations to offset risk.

ICB Revenue Position:

As at 31 July 2025 the ICB is reporting a year-to-date surplus of £5.21m compared to a plan of £3.95m, a favourable variance of £1.3m which largely reflects underspends on staffing costs due to vacancies.

Significant pressures are being seen on mental health budgets relating to ADHD/ASD (Attention Deficit Hyper Activity Disorder / Autism Spectrum Disorder) assessments at non-NHS providers, with a forecast pressure for the full year of around £14m now expected (£24m forecast against a budget of £10m), however this could increase if current activity growth trends continue. As such a further risk of around

£3m is included within the ICB financial risk calculation. Mitigation plans are being developed within the ICB and a range of actions are already underway with separate updates being provided to executive committee on this matter.

Indicative activity plans are being prepared for all of these 'Right to Choose' (RTC) providers based on previous years activity plus growth. Appropriate contract management procedures are being undertaken to manage financial and quality risks, including activity management as far as possible and reviewing expected waiting times with providers. Options are also being considered to potentially retrospectively review invoices received from RTC providers to gain greater assurance that the ICB has been appropriately charged for relevant activity.

Alongside this, an accreditation process is being developed with a NENC specification and tariffs which will be offered to current RTC providers. This would give the ICB much greater control in terms of the service delivered and price paid.

In addition to effective contract management approaches, work is progressing around development of a commissioning policy including clinical and functional thresholds for referral and the triage process. An update will be provided to the next Board meeting to outline the proposed approach.

This financial pressure due to independent sector growth in ASD assessments & ADHD assessments (and treatments) given the nature of the both the contractual arrangements and mechanisms for the ICB to commission based on need, represents one of the ICBs main financial risks for 2025/26. The others being elective activity growth risk and the challenging efficiency target on All-Age Continuing Care (AACC).

Progress against all ICB efficiencies is closely managed by the ICB Financial Sustainability Group. At month 4, performance continues to be on track overall with increased delivery on the recurrent side but, as noted above, considerable risk remains around delivery of savings within AACC. Whilst individual schemes within the AACC efficiency programme are broadly on track currently, there are concerns around capacity within the team and the level of overdue reviews for example which could have a significant impact on the financial position of the ICB. Additional temporary resource has been deployed to date to reduce the backlog.

Financial pressure is also now being reported on overall continuing healthcare budgets relating to backdated packages of care. There remains potential risk around gaps in packages of care being reported on the Broadcare system, particularly relating to s117 packages. Work is progressing as a priority to ensure packages are appropriately recorded and reflected in the forecast position.

A forecast overspend of £2.5m in total is being reported on community healthcare budgets which reflects latest activity information on AQP adult hearing services and the BPAS (British Pregnancy Advisory Service) contract. This has increased from month 3 (£2m forecast overspend) based on increased activity.

At present, despite early pressures being identified, the ICB continues to forecast a surplus for the year of £11.8m in line with plan with overspends within the ADHD and AQP being managed by reserves slippage on a non-recurrent basis only.

Lastly, please note 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 year-to-date underspend on running cost budgets of £2.1m reflecting current vacancies within the ICB. A breakeven position is currently forecast against running cost budgets. There is significant uncertainty around the potential impact in 2025/26 of the ongoing ICB transition process and need to make cost reductions to meet the NHSE target spend of £19 per head, with potential additional transition costs, particularly redundancy costs, which may impact the running cost position in 2025/26.

ICS Capital:

For 2025/26, there is no longer a separate IFRS 16 capital budget, and the overall provider operational capital budget includes capital cover for IFRS 16 requirements. At month 4, the ICS capital spending forecasts are in line with the confirmed capital allocation. This includes additional funding received of

£15.9m relating to operational UEC prior year performance with related spending plans now reflected in the forecast position.

ICB Underlying Position:

The underlying position is a critical financial metric that all executive teams and boards need to be aware of and continually consider. It is a measure of an organisations recurring financial performance, excluding one-off or non-recurrent items. In the NHS context, this means adjusting the reported financial position (surplus or deficit) to remove/reflect the impact of:

- Full Year Effects (FYE) – updating for the FYE of recurrent efficiencies or investments
- Truly non-recurrent income (e.g. one off short-term central funding that won't be repeated)
- Non-recurrent expenditure (e.g. temporary cost savings, restructuring costs)
- Technical adjustments

As part of the final 2025/26 financial plan, the ICB underlying position for 2025/26 was forecast to be a deficit of £23.1m. At month 4, the latest assessment of the ICB underlying position is a financial deficit of £24.6m which is shown in Table 7 in the report.

The ICB forecast out-turn is an overall surplus of £11.8m for 2025/26 which would have been £49m higher prior to a non-recurring reduction in ICB surplus being agreed to offset pressures within provider trusts. However, the position also includes significant non-recurrent efficiencies (£53.9m) and recurrent cost pressures for example on ADHD/ASD assessments which are currently being offset through non-recurrent measures. Adjusting for all of these results in an underlying financial deficit of £24.6m.

The slight deterioration in underlying position from plan is largely a result of recurrent pressures on ADHD/ASD partially offset by additional recurrent efficiencies forecast above planned levels.

As such the ICB will need (everything else being equal) to deliver either more recurrent savings or continue to identify non-recurrent measures each year to offset the underlying deficit.

The underlying position, and reducing the deficit, will be a key element of the medium term financial planning (MTFP) exercise. The ICB and system underlying position will be refreshed at month 5 with certain principles being agreed across the North East and Yorkshire region to improve consistency. Updates will be provided on the system underlying position following month 5.

Risks and issues

A number of potential financial risks were identified within the financial plan, both for the ICB and wider ICS, totalling £437m. Net unmitigated risk in the plan amounts to £244m across the system although there was inconsistency in recording of risk across the ICB. Risks largely related to the delivery of required efficiency plans which are higher than those delivered in 2024/25.

ICB risk includes potential pressures around prescribing and continuing healthcare costs, as well as delivery of challenging efficiency targets.

At month 4, ICS risk has reduced to £288m with net unmitigated risk of £169m, compared to net risk of £211m at month 3. The Directors of Finance group will continue to review risk positions with an aim to increase consistency in reporting of risk positions.

For the ICB, net risk amounted to £33m at plan and has reduced to £20m at month 4. In addition to the ADHD assessment pressure referenced earlier, the main risk facing the ICB is around all age continuing care and in particular delivery of challenging efficiency targets in that area.

Work continues to review the position across the system and seek to identify further mitigations along with more consistent reporting of risk across organisations. Work is continuing 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.

Given the level of financial risk we have to manage between now and the end of year we will be hosting an event for ICS Chairs and Executive Directors on the 6th October 2025 to review the year to date, understand the level of risk to manage and to develop and agree additional actions we will need to take to manage the bottom line as required by NHSE.

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 monthly 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.

The Financial Sustainability Group will continue to review the delivery of ICB efficiencies and the CEO and CFO will undertake Quarterly CIP Star Chamber Reviews with Directors (more often for AACC).

Recommendation/action required

The Board is asked to:

- note the latest year to date and forecast financial position for 2025/26,
- note there are a number of financial risks across the system still to be managed,
- note the latest ICB underlying position.

Acronyms and abbreviations explained

ADHD – Attention Deficit Hyperactivity Disorder
ASD – Autism Spectrum Disorder
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
NHSFT – NHS Foundation Trust
QIPP – Quality, Innovation, Productivity and Prevention
POD – Pharmacy, Ophthalmic and Dental
YTD – Year to Date

Sponsor/approving executive director	David Chandler, Chief Finance Officer
Date approved by executive director	27 August 2025
Report author	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

Any potential/actual conflicts of interest associated with the paper? (please tick)	Yes		No	✓	N/A	
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Equality analysis completed (please tick)	Yes		No		N/A	✓
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	
Essential considerations (must be completed)						
Financial implications and considerations	The report summarises the latest financial position for both the ICB and ICS.					
Contracting and Procurement	N/A					
Local Delivery Team	N/A					
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	27/08/25	Richard Henderson	Updated from Executive Committee report
2.0	27/08/25	David Chandler	Final