

Item: 11

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

BOARD

31 MARCH 2026

Report Title:

NENC ICB and ICS Finance Report – M10 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 ten months to 31st January 2026.

Key points

Executive Summary of Key Points in the Report:

- Year-to-date deficit of £11.9m for the ICS, which is £7.6m better than planned. The improvement from last month largely reflects a movement in the ICB position.
- At Month 10, after following NHSE forecast change protocol, one organisation, County Durham and Darlington NHS Foundation Trust (CDDFT), has deteriorated its forecast position by £24m. The deterioration has been offset by improvements in other organisations, in particular the ICB now reporting a £34.8m surplus for the year (£23m improvement to plan). Overall the movements were net neutral across the system and the total ICS forecast remains as per plan for the year.
- A number of non-recurrent benefits have been realised in-year which have enabled the improvement in the ICB position, including receipt of additional non-recurring funding, paused investments through discretionary spend controls and demand management actions.
- Year-to-date surplus of £23.0m for the ICB, mainly from staff vacancies, receipt of additional non-recurring funding and paused investments through discretionary spend controls. Main pressures continue to be: increased ADHD/ASD (Attention Deficit Hyper Activity Disorder / Autism Spectrum Disorder) assessments with non-NHS providers, continuing care budget challenges, rising prescribing costs, and risk of elective activity exceeding funding.
- The underlying ICB deficit is £21m, and the ICS-wide underlying deficit is £418m.
- Major risks: efficiency delivery, prescribing, and continuing healthcare costs. Net unmitigated risk for the ICS has reduced to £22m (from £63m last month); for the ICB now reduced to nil.
- Ongoing monitoring, financial recovery plans, and system-wide actions are in place. The Committee is asked to note the financial position, risks, and underlying deficit.

ICS Revenue Position:

As at 31st January 2026, the ICS is reporting a year-to-date deficit of £11.9m compared to a planned deficit of £19.5m. The favourable variance to plan of £7.6m is an improvement from the previous month largely reflecting an improvement in position for the ICB. There is a worsening position in one provider trust (CDDFT) which is now off plan year to date by £12.8m reflecting the significant pressures in that trust highlighted previously, which is partially offset by improvements in other organisations.

Pressures continue to be seen across several providers due to under-delivery of efficiencies, together with the impact of issues such as the costs of covering industrial action. Further funding to support the costs of the last round of industrial action has been received in month 10. Full deficit support funding for

the year of £33.3m has now been received although this remains subject to clawback if the system position is not delivered.

As previously highlighted and following the application of the NHS England forecast change protocol at Month 10, approval was given for one provider organisation (CDDFT) to deteriorate its forecast position by £24m. This deterioration has been fully offset by improvements in other organisations across the system, most notably by a strengthened position within the ICB. Several non-recurrent benefits have been realised in-year which have enabled the improvement in the ICB position, including receipt of additional non-recurring funding, paused investments through discretionary spend controls and demand management actions. As a result, there has been no adverse impact on the overall system forecast, which remains in line with plan.

The system position therefore remains net neutral, with the ICB now forecasting a £34.8m surplus for the year, representing a £23m improvement against plan. This has enabled the system to absorb the deterioration in the provider position while maintaining delivery of the agreed overall financial position for 2025/26.

Across the ICS, total year to date efficiencies continue to be behind plan (£16.9m overall) and is now forecasting an under-delivery of just under £21m and is the main reason for the movement in the increased provider deficit reported at month 10. The position on recurrent efficiency plans continues to be a particular concern however with a substantial, and increasing, under-delivery being reported. Year to date under-delivery on recurrent efficiencies now stands at £67m overall with a forecast under-delivery of £84m, an £8m deterioration from last month. Whilst this is partially offset by non-recurrent efficiencies in the current year, the recurrent shortfall will impact on underlying positions moving into 2026/27 financial plans and organisations are being asked to take appropriate action where required to recover that position.

ICB Revenue Position:

As at 31st January 2026 the ICB is reporting a year-to-date surplus of £23.0m compared to a plan of £9.9m, a favourable variance of £13.2m which largely reflects underspends on staffing costs due to vacancies and other non-recurrent benefits including PFI funding and paused investments.

There continue to be four main areas of pressure and potential risk to highlight within the ICB position:

- Risk around growth in elective activity
- Significant growth in Right to Choose ADHD/ASD assessments with non-NHS providers
- Pressure on all-age continuing care (AACC) budgets particularly relating to the challenging efficiency targets
- Growth in prescribing costs over budget

Elective activity

As previously highlighted there is a significant potential financial risk relating to growth in elective activity both within NHS and non-NHS providers. This is largely expected to be managed within agreed indicative activity plans and available funding but could reflect a substantial potential risk across the system as some trusts believe they need to do more activity than ICB has funding for and is in contract to meet performance targets. There is in particular a financial risk relating to additional activity at non-NHS providers. An assessment of the potential financial risk to the ICB has previously been included in the reported net risk position. At month 10, a forecast pressure of £6.5m is reflected in the reported position based on additional activity to date, with further potential growth reflected in the net risk position.

ADHD/ASD assessments

A forecast pressure for the full year of £18.4m is included in the position at month 10 (£28.4m forecast against a budget of £10m), similar to the position at month 9, reflecting the latest position on indicative activity plans agreed with providers.

Significant work has been undertaken recently across commissioning, contracting and finance teams to agree realistic and deliverable Indicative Activity Plans (IAPs) with relevant providers which has reduced the potential forecast position overall and helped to mitigate substantial further risk in this area.

Alongside this, work continues to effectively manage activity and costs in this area, including the development of a commissioning policy including clinical and functional thresholds for referral and an effective triage process.

All-age continuing care

A forecast overspend of £12.8m is now being reported against AACC budgets consistent with price and activity increases impacting the position along with backdated packages of care. This is a further increase of £4m on the reported forecast overspend at month 9 reflecting a movement from net risk to the forecast position.

Progress against all ICB efficiencies is closely managed by the Financial Sustainability Group. Considerable risk has previously been highlighted around delivery of AACC efficiency plans and at month 10 a forecast under-delivery on planned AACC efficiencies of £3.4m is now being reported.

There continues to be a potential risk around gaps in packages of care being reported on the Broadcare system, particularly relating to s117 packages. Work is continuing to ensure packages are appropriately recorded and reflected in the forecast position.

Prescribing

A forecast overspend of £8.4m is being reported against prescribing budgets based on latest available data for eight months. The forecast reflects the year-to-date actual costs forecast based on a rolling 12-month period adjusted for growth seen in year. Nationally reported data is always 2 months in arrears but we can see that actual dispensing cost and item growth for the first eight months have increased by 3.3% and 2.2% respectively, both of which are above national averages. There are also several significant areas of growth in prescribing costs which are likely to impact the forecast position including drugs and devices used in the treatment for diabetes and weight management drugs. Potential benefits may also be realised through price reductions on specific drugs, e.g. Dapagliflozin, which has come off patent and substantial price reductions are being seen. A further net risk of £2.8m is reflected within the ICB net risk position based on latest financial modelling projections across a number of scenarios.

Summary

At present, despite pressures being identified, the ICB has been able to forecast a surplus for the year of £34.8m, this is £23m ahead of plan. A number of non-recurrent benefits have been realised in-year which have enabled the improvement in the ICB position, including receipt of additional non-recurring funding, paused investments through discretionary spend controls and demand management actions. Overspends continue to be managed through reserves slippage on a non-recurrent basis. Going into next year many of these pressures will need to be recurrently funded or managed as part of the financial plan for 2026/27.

Additional non-recurrent benefits have been realised, following the actions agreed at the ICS finance, workforce and performance workshop on the 6th October. This includes underspends on certain commissioning budgets following investment pauses and reduced forecast pressures on independent sector activity-based contracts. All of this has allowed the ICB to increase its forecast surplus which will help to mitigate pressures elsewhere in the system.

ICB Running Costs:

The ICB is reporting a year-to-date underspend on running cost budgets of £5.8m reflecting current vacancies within the ICB. A forecast underspend of £6m is now being reported against running costs following work to appropriately split expected redundancy costs between running costs and programme budgets. This underspend on running costs offsets a £5m overspend on programme budgets related to expected redundancy costs.

Funding has been received in month 10 from NHS England of £5.6m to support ICBs with expected redundancy costs relating to reductions required to meet the £19 per head target. For NENC ICB, the £5.6m funding will cover 50% of the latest expected redundancy costs with the balance to be funded from underspends on staffing budgets.

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 10, the ICS capital spending forecasts are £12.1m above the confirmed capital allocation. Providers have included in their forecast additional funding (mainly £10m in CNTW and transfers from Return to Constitutional Standards funding to Operational Capital) which is not yet part of allocations.

It is expected the allocations will be received at Month 11 which will bring the position back in line. An exercise will be carried out across the system ahead of Month 11 to fully review each organisations capital position. The ICB is forecasting a £0.9m underspend against GPIT and estates schemes.

In month 8 there was the opportunity for Trusts to bid for additional operational capital for 2025/26 as a result of underspends on nationally funded schemes. Following review and approval of bids by NHSE, over £50m was added to the system's capital allocation in Month 10.

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.

The latest assessment of the ICB underlying position reported at month 10 is a financial deficit of £4.4m which is shown in Table 23 in the report. As in previous months, this includes a system adjustment to remove deficit support funding top up of £16.6m which has been recurrently protected within the ICB but is treated as non-recurrent income in provider positions, therefore has been adjusted to ensure the overall ICS underlying deficit is not overstated. Ignoring that system adjustment, the underlying position of the ICB as an individual organisation would be a deficit of £21m, similar to the previous month.

The ICB forecast outturn is an overall surplus of £34.8m 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 (£56.1m) 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 £21m.

The underlying deficit means 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 forms the starting point of the draft 2026/27 financial plan submitted in December 2025. Further work will continue to review this position for consistency and consider as part of the overall MTFP process.

Risks and issues

A number of potential financial risks were identified within the financial plan, both for the ICB and wider ICS, totalling £437m. At the ICS level - net unmitigated risk in the plan amounted to £244m. 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 10, total net financial risk across the system has reduced from £63m down to £22m, the significant reduction reflects the transfer of unmitigated risk into the reported position for one provider trust. The review of risks and mitigations will be kept under review but there is increasing confidence that despite the pressures in the system, that mitigation plans can offset remaining risk.

For the ICB, net risk amounted to £33m at plan and has reduced to nil (in line with month 9). Although gross risks remain around prescribing, elective activity and all-age continuing care in particular, these are offset by identified mitigations.

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

A number of actions were agreed at the finance, workforce and performance review session on 06 October which are helping to mitigate financial risk and support delivery of the planned position. These continue to be monitored and managed via the System Recovery Board.

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 higher risk areas such as AACCC).

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

AACCC – All Age Continuing Care
 ADHD – Attention Deficit Hyperactivity Disorder
 AMP – Activity Management Plan
 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
 IAP – Indicative Activity Plan
 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	19.03.26
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Link to ICP strategy priorities

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?	Yes		No	✓	N/A		
Equality analysis completed	Yes		No		N/A	✓	
If there is an expected impact on patient outcomes and/or experience, has a quality impact assessment been undertaken?	Yes		No	✓	N/A		
Essential considerations							
Financial implications and considerations	Report approved by David Chandler Chief Finance Officer						
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	05/03/26	Richard Henderson	First draft
2.0	19/03/26	Richard Henderson	Update for depreciation
3.0	19/03/26	David Chandler	Approved