

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

BOARD

28 JANUARY 2025

Report Title:

NENC ICB and ICS Finance Report – M8 2024/25

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 2024/25 for the eight months to 30 November 2024.

Key points

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 November 2024, the ICS is reporting a year to date deficit of £18.56m compared to a planned deficit of £19.85m, a favourable variance of £1.29m. This is an improvement from the previous month largely due to a one-off tax rebate benefit within one of the provider trusts.

The position includes significant additional cost pressures relating to the pay award, estimated at £20m for the full year. Further work is underway to review this pressure. The position also continues to include pressures relating to NICE approved drugs and devices (estimated at £25m across the ICS), together with costs associated with escalation beds.

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 in line with plan year to date with a forecast over-delivery by the end of the year of £12.76m. Within that however, it should be noted that there is an increasing under-delivery of recurrent efficiencies across ICS provider trusts (£35.4m across providers for the eight month period and £48.5m 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 November 2024 the ICB is reporting a year to date surplus of £38.81m, slightly ahead of plan, 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 £1.92m year to date and forecast underspend of £4.60m, 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 now back in line with the confirmed capital allocation. The ICS capital allocation has increased by £35m since the previous month, reflecting £5m of additional funding confirmed by NHSE and £30m of inter-system brokerage agreed to manage pressures in the current year. It should be noted this £30m brokerage will be reversed in 2025/26, effectively reducing the ICS capital allocation for 2025/26.

Including IFRS 16, a forecast overspend compared to capital allocation of £5.8m is reported at month 7 which is a significant reduction from the previous month. This remaining pressure relates to rent reviews from NHS Property Services and is being reviewed with NHSE against identified IFRS 16 funding allocations.

Proposed amendment to ICB Surplus Position:

Under the current NHS finance regime there are no cash or revenue benefits of an ICB generating a surplus as long as the system overall is in balance, but there are cash impacts of NHS providers having a deficit or cash shortfall, with potentially significant borrowing costs for providers (and hence the system).

In light of this, and similar to the approach taken in 2023/24, it is proposed that the ICB forecast outturn surplus is reduced non-recurrently in quarter 4 with relevant NHS Foundation Trust (FT) providers within the ICS improving their positions by an equivalent amount, ensuring no change in the overall ICS position.

It is important to note, any transfer of surplus between the ICB and relevant FT providers does not create an ability for any provider within the ICS finance regime to spend more on services, staff or equipment (as this would create a net revenue overspend across the ICS). Rather it funds existing spending pressures on a non-recurrent basis, reduces deficits and potential cash borrowing requirements across organisations within the ICS, with a corresponding reduced surplus in the ICB. This is similar to 2023/24 and the allocation of the £50m deficit support funding from NHSE in month 6.

Currently the forecast ICB surplus position is £53.6m. It is proposed that £50m could be transferred to relevant FT providers, leaving the ICB with a smaller year end surplus of £3.6m, with no change to the overall ICS net position as providers would reduce their deficits by an equal and opposite amount. There are a number of significant potential financial risks still to be managed across the ICS, with a potential the forecast ICB surplus figure may change as mitigations are agreed to manage those risks. As a result this could impact the proposed value of surplus to transfer.

In 2023/24, it was agreed by ICB Board to allocate £28m of ICB surplus to one or more of the three FT providers in deficit on the basis those providers with a deficit have increased cash borrowing requirements due to their deficit positions. Ultimately following a value for money review it was agreed in 2023/24 to allocate the full £28m to one of the FT providers with a deficit.

In 2024/25, it is recognised that at least one FT provider that is not currently in a deficit position is at risk of needing to borrow cash, incurring associated costs. A number of options have been considered for allocation of any ICB surplus transfer, including based on relative deficit positions and relative cash positions (using cash balances and operating expenditure to estimate the number of days 'cash on hand'). Fundamentally, the proposed transfer is intended to support with cash associated pressures within relevant FTs.

It is proposed to use a blended approach, allocating any transfer of ICB surplus based on:

- 50% allocated to the FT providers with planned deficits, based on planned deficit value at month 8

- 50% allocated based on relative cash positions. This would allocate funding to the four FT providers with planned deficits plus one FT provider currently forecasting a breakeven position

The Board is asked to support the proposal to reduce the forecast ICB surplus (currently by a value of £50m but that may be subject to change if the overall ICB surplus changes) and allocate this to relevant FT providers within the ICS using the proposed approach above. This will be subject to each of those FT providers improving their forecast positions by an equivalent amount, ensuring no change to the overall ICS position.

The impact of the proposed reallocation of ICB surplus and resulting surplus/deficit positions for each organisation is shown in the table below:

	Month 8 Surplus / (deficit) £'000	Proposed reallocation of ICB surplus £'000	Revised surplus / (deficit) £'000
Providers:			
North Cumbria Integrated Care	-34,681	20,240	-14,441
Gateshead Health	-7,088	4,896	-2,192
The Newcastle Upon Tyne Hospitals	0	0	0
Northumbria Healthcare	13,000	0	13,000
Cumbria, Northumberland, Tyne and Wear	-1,770	4,176	2,406
North East Ambulance Service	0	0	0
South Tyneside and Sunderland	0	0	0
County Durham and Darlington	0	5,428	5,428
South Tees Hospitals	-23,063	15,259	-7,804
North Tees and Hartlepool	0	0	0
Tees, Esk and Wear Valleys	0	0	0
Total providers	-53,602	50,000	-3,602
ICB	53,602	-50,000	3,602
Total ICS	0	0	0

If agreed it is expected this would be transacted in month 11. As noted above, there are still a number of financial risks to be managed across the system, which could potentially impact on the overall ICB surplus position. Any change to the ICB surplus position would be approved separately with Board but it is proposed delegated authority is granted to the Chief Executive and Chief Financial Officer to agree any resulting change to the proposed reallocation of surplus (i.e. to increase or reduce the £50m value accordingly) and allocate following the approach above.

Risks and issues

The ICS must deliver the financial plan or if not will need to repay NHSE £50m of deficit support funding. This would be a charge to future years revenue resource limits with an associated loss of cash funding too.

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 8 this unmitigated financial risk is estimated and has been reported to NHSE at £47.5m (reduced from £61m at month 7) although work continues across the system to review this. This includes unmitigated net risks of just under £5m 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.

The CFO has also instigated further pro-active discussions with FT Dofs to gain a better understanding of financial risk between now and year end and also to seek to identify mitigations that may be needed to balance the position. These mitigations may need to come from organisations, including the ICB, that are able to deliver plan. ICB Executives have been shared emails to FT Dofs on this matter and a verbal update will be provided to the committee on progress.

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 was undertaken. The review was intended to both provide assurance around controls in place as well as identifying areas for potential improvement and agreeing resulting actions for individual organisations and across the system. Reports are currently being reviewed and related action plans developed which will be monitored through relevant committees within individual provider organisations and the ICB.

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 surplus change transaction is supported by the ICS Director of Finance Forum.

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
- agree the proposed approach to redistribute a proportion of the forecast ICB surplus across the ICS.

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

Executive Committee Approval	14/01/2025
Sponsor/approving executive director	D Chandler, Chief Finance Officer
Date approved by executive director	13/01/2025

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	
<p>There are potential conflicts of interest in the proposal to redistribute a proportion of the forecast ICB surplus across the ICS, where Board members have declared interests in NHS Foundation Trusts within the ICS.</p> <p>It is proposed conflicted members can receive the report and attend the meeting but must refrain from taking part in the decision.</p>						
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	
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	09/01/25	Richard Henderson	Updated from Exec report
2.0	13/01/25	David Chandler	Final
3.0			
4.0			