

Month 3 2022/23

BOB ICS Finance Report

EXECUTIVE SUMMARY

- The following report outlines the financial position of the Buckinghamshire, Oxfordshire and Berkshire West Integrated Care System for the first three months of 2022/23. Whilst the body did not formally exist during this period the three predecessor CCGs have been aggregated to show the shadow ICB position.

- The ICS's overall financial position shows an excess of expenditure over income of £12.7m for the first three months of 2022/23. Given a phased plan of a £1.6m deficit for the same period there is an overall adverse position of £11.2m compared to plan.
- As can be seen £6.4m of the adverse variance is reported in the CCGs/ICB. However £5.5m of this relates to the agreed £21.9m system wide savings target. The system needs to identify and quickly implement schemes to agree this issue.

Net Expenditure	Year to Date		
	Plan	Actual	Variance
	£m	£m	£m
CCGs/ ICB Internal	0.1	(0.8)	(0.9)
System Wide saving (ie £21.9m)	5.5	0.0	(5.5)
	5.6	(0.8)	(6.4)
Providers	(7.2)	(11.9)	(4.8)
Total Surplus / (Deficit)	(1.6)	(12.7)	(11.2)

- Providers within the ICS report a variance of £4.8m. Of this figure £4.0m relates to OUH and a smaller sum of £1.2m at Royal Berks.
- The overall position is a cause for concern at this stage of the financial year. However all constituent bodies are continuing to report a year end outcome in line with target at this stage.

The key variances and developing issues are as follows :

- As stated above there is an agreed £21.9m system wide savings target. This was agreed as part of the resubmission of plans to NHSEI on 20th June 2022. No schemes have yet been identified against this.
- There is also a general developing difficulty to deliver the savings targets internal to each organisation. As can be seen in more detail later the ICS is £11.5m behind it's CIP target – this includes the £5.5m relating to the ICS wide £21.9m.
- Provider pay costs are reported as £21.1m overspent. This is a combination of ongoing COVID absences and an upward pressure on agency/bank rates due to the need to both deal with existing demand and the Elective Recovery Plan.
- Provider income is approximately in line with plan. This is a feature of the majority of contracts being fixed block contracts.
- Whilst rising inflationary pressures have not resulted in significant overspends, at this point, more and more pressures on future prices are becoming evident. This is apparent in many areas of expenditure including energy costs, CHC fees, drug costs, etc.
- Agency spend is significantly above plan - £7.4m at this stage
- Providers held £251.9m of cash as at 31/3/22. This amounts to 3.6 months of total provider expenditure. Whilst levels of cash held varies by trust with Mental Health providers having highly levels proportionate to the planned expenditure.
- Provider capital spend is behind plan at this stage of the year, both in terms of actual spend and CDEL. However it is expected that the rate of expenditure will increase as the year progresses. Therefore a year end outcome of plan is anticipated.

SYSTEM WIDE SURPLUS / (DEFICIT) BY BODY

- The overall financial position of the ICS for the first three months of the financial year is shown below.
- The position is first analysed by organisation then by subjective analysis with an aim to draw out common themes.
- It should be noted that the purpose of this report is to understand and evaluate the overall performance of the Integrated Care System as a whole as opposed to focusing on and attempting to micro-manage individual legally separate constituent bodies.

Org Name	Year to Date		
	Plan £m	Actual £m	Variance £m
NHS Berkshire West CCG	1.5	(0.0)	(1.5)
NHS Buckinghamshire CCG	3.0	(0.4)	(3.4)
NHS Oxfordshire CCG	1.1	(0.4)	(1.5)
Berkshire Healthcare NHS Foundation Trust	(0.5)	(0.4)	0.1
Buckinghamshire Healthcare NHS Trust	(5.5)	(5.6)	(0.1)
Oxford Health NHS Foundation Trust	0.8	1.1	0.3
Oxford University Hospitals NHS Foundation Trust	0.0	(4.0)	(4.0)
Royal Berkshire NHS Foundation Trust	(1.9)	(3.0)	(1.2)
STP Total	(1.6)	(12.7)	(11.2)

KEY POINTS PER BODY

- **ICB / CCGs :**

- Whilst the ICB did not come into existence until after the end of period 3 the three predecessor CCGs are shown as one entity for ease of reporting.
- At this stage in the year a £6.5m outturn adverse to plan is reported. However £5.5m of this relates to the £22m system wide savings target agreed by all parties, CCGs and providers, as part of the recently completed NHSEI planning process (20th June resubmission). At this stage none of this sum has been identified.
- Within the residual £0.9m overspend the main factors are Prescribing costs, delays in internal CIP implementation and developing inflationary pressures particularly in CHC and local authority pooled budgets.

- **Berkshire Healthcare :**

- A small positive variance is reported without any significant variances within this total.
- Pay spend overall is £0.8m below plan (1.3%) with some evidence of agency use to cover substantive gaps.

- **Buckinghamshire Healthcare :**

- A small adverse variance is reported.
- Pay is overspent by £2.8m (3.4% of plan). This is compensated by income above plan at this stage of the year.

- **Oxford Health :**

- This trust is £0.3m ahead of plan at this stage. Within this there are no significant variances.
- However, within a small (0.8%) overspend on pay costs there is a £2.4m underspend on substantive staffing compensated by a £3.1m overspend on agency.

- **Oxford University Hospitals :**

- The reported £4.0m adverse variation from plan is largely driven by overspends within pay costs of £8.2m, £1.2m of this relating to agency staff (3.2m on a planned £2.0m). Key to this issue are the ongoing effects of COVID and inflationary pressures on pay costs.
- An additional factor in the overall position is slippage in the trust's CIP programme which is £3.2m behind plan..
- This overspend is partially offset by an underspend in non-pay arising from the release of a £2m bad debt provision charged in the prior year. Therefore this gain will be a one-off factor and not be repeated.

- **Royal Berkshire :**

- The reported adverse variance of £1.2m reflects income below plan, particularly around ERSF, pay overspends and smaller non-pay underspends. However reimbursed COVID income is £1.9m over plan. There are inevitably matching costs reported within expenditure.
- Pay costs overall are £1.2m overspent. This includes £2.5m overspent on agency staff (£2.8m c/w a planned £0.3m).

SYSTEM WIDE SURPLUS / (DEFICIT) BY SUBJECTIVE

Surplus / (Deficit)	Year-to-date			
	Plan	Actual	Under/(over) spend	
	£m	£m	£m	%
Total CCG Net Expenditure	749.9	756.2	(6.3)	(0.8%)
In-Year Allocation	755.5	755.5	0.0	0.0%
CCG Total	5.6	(0.8)	(6.3)	(0.8%)
Income excluding COVID Reimbursements	826.8	827.6	0.8	0.1%
COVID-19 Reimbursements	4.6	6.8	2.3	50.2%
Total Income	831.3	834.4	3.1	0.4%
Pay	(500.7)	(512.9)	(12.1)	(2.4%)
Non Pay	(319.2)	(316.0)	3.2	1.0%
Non Operating Items (exc gains on disposal)	(18.5)	(17.5)	1.0	5.4%
Total Expenditure	(838.5)	(846.4)	(7.9)	(0.9%)
NHS Providers	(7.1)	(12.0)	(4.8)	(0.6%)
System Financial Performance	(1.6)	(12.7)	(11.2)	(1.5%)

COMMON THEMES BY SUBJECTIVE

ICB / CCGs :

- These are reported as brief summary lines as any subjective analysis added to that of providers would be Key Points Per provider. As can be seen from the above the £6.3m adverse variance is shown as an expenditure variance. This is in line with NHSEI rules requiring no variance to be shown on income.

Provider Income :

- Overall provider income is £3.1m over plan.
- Of the above £2.3m relates to the reimbursement of COVID related costs, £2.1m of this being for Royal Berks. This income is unlikely to continue at this level although this will depend on the ongoing trajectory of the COVID pandemic.
- Additional costs will inevitably have been incurred to deliver the additional COVID related activity.

Provider Pay Costs :

- These report a £12.1m overspend. Of this £8.2m relates to OUH.
- Of this overspend £7.4m relates to agency with the residual £4.8m
 - arising from substantive staffing.
- All providers report an agency overspend. This is a significant ongoing risk as COVID effects sickness levels, elective recovery targets require additional activity and inflationary pressures put upward pressures on rates. This also puts at risk the ICS wide CIP projects to standardise and reduce agency rates across the system
- An additional factor in this overspend is the slippage in CIP plans. As at Month 3 provider plans for pay related savings were £3.2m behind plan.

Provider	Variance to Plan		
	Agency	Other	Total
	£m	£m	£m
Berkshire HC	(0.4)	1.1	0.8
Bucks HC	(0.2)	(2.6)	(2.8)
Oxford H	(3.1)	2.4	(0.7)
OUH	(1.2)	(7.0)	(8.2)
Royal Berks	(2.5)	1.3	(1.2)
	(7.4)	(4.8)	(12.1)

Non-Pay Expenditure :

- Overall non-pay expenditure reports an underspend of £4.2m as at month 3.
- This is despite provider non-pay related CIP programmes being £3.2m behind plan.
- The majority of this arises at OUH where a significant element is the reversal of a £2.0m previously charged bad debt provision. This will therefore inevitably not reoccur in the rest of the year.

EFFICIENCIES

- **Overall**

- A significant element in the delivery of the ICS's overall planned break even position at the year end is the delivery of CIP / Savings programmes.
- The ICS had a planned total of £29.9m of savings to be delivered at this point in the year. Of this only £18.4m have been delivered. Therefore the overall programme is £11.5m behind plan at this stage, £6.0m of this relating to internal organisational based savings, with the residual £5.5m arising due to the agreed ICS wide £22m target.
- The delivery of the agreed ICS wide £22m savings is key to the overall delivery of the ICS's savings programme. There are currently no items identified against this sum

- **Recurring / Non-Recurring**

- Whilst the reported adverse variance on 'internal' schemes is £6m the underlying position is significantly as recurring schemes are £9.1m behind plan. This is partially mitigated by non-recurring plans £3.1m ahead of target. This is a particular feature at OUH.
- Whilst these non-recurring plans will serve to cover any delays in the delivery of recurring schemes there is a danger that, should such recurring schemes ultimately not be delivered, the baseline starting position for 2023/24 will be worse.

Body	Variance to Plan		
	Recurring	Non-Rec	Total
	£m	£m	£m
ICB / CCG's (Internal)	(0.8)	(0.5)	(1.3)
Berkshire HC	(0.2)	0.7	0.5
Bucks HC	(1.0)	0.8	(0.2)
Oxford H	0.7	(0.8)	(0.1)
OUH	(6.1)	2.9	(3.2)
Royal Berks	(1.7)	0.0	(1.7)
	(9.1)	3.1	(6.0)
ICS Wide Saving (£22.0m)			(5.5)
	(9.1)	3.1	(11.5)

- **Subjective Analysis**

- Provider savings schemes are split approximately 50:50 between pay and non-pay.
- As at the end of month 3 the adverse variance on 'internal' CIPs is also approximately split 50:50 between pay and non-pay
- Therefore there does not seem to be a clear pattern as to slippage of CIPs. Indeed it would appear that this is a general issue as opposed to specific items.

Provider	Variance to Plan			
	Pay	Non-Pay	Income	Total
	£m	£m	£m	£m
ICB / CCG's (Internal)	0.0	(1.3)	0.0	(1.3)
Berkshire HC	0.6	(0.1)	0.0	0.5
Bucks HC	(0.5)	0.2	0.1	(0.2)
Oxford H	(0.3)	0.2	0.0	(0.1)
OUH	(2.0)	(1.7)	0.5	(3.2)
Royal Berks	(1.2)	(0.5)	0.0	(1.7)
	(3.4)	(3.2)	0.6	(6.0)
ICS Wide Saving (£22.0m)				(5.5)
	(3.4)	(3.2)	0.6	(11.5)

CAPITAL

PROVIDER CAPITAL

- The position re provider capital against NHSEI allocations as at month 3 is as follows :

Organisation/System name	Year to Date			Full Year		
	Plan	Actual	Variance	Plan	Forecast	Variance
Berkshire Healthcare NHS Foundation Trust	0.9	0.3	0.6	8.7	8.7	0.0
Buckinghamshire Healthcare NHS Trust	9.4	9.6	(0.2)	20.0	20.0	0.0
Oxford Health NHS Foundation Trust	(0.0)	0.6	(0.6)	9.8	9.9	(0.1)
Oxford University Hospitals NHS Foundation Trust	3.1	2.0	1.0	30.8	30.8	0.0
Royal Berkshire NHS Foundation Trust	7.0	1.5	5.5	28.0	28.0	0.0
BOB Total	20.4	14.1	6.3	97.4	97.5	(0.1)

- Providers are also required to manage their spend to comply with NHSEI CDEL limit requirements. These are as follows :

Organisation/System name	Year to Date			Full year		
	Plan	Actual	Variance	Plan	Forecast	Variance
Berkshire Healthcare NHS Foundation Trust	1.3	0.7	0.6	10.2	10.2	0.0
Buckinghamshire Healthcare NHS Trust	10.2	10.4	(0.2)	23.1	23.1	0.0
Oxford Health NHS Foundation Trust	0.5	0.6	(0.1)	11.9	10.0	1.9
Oxford University Hospitals NHS Foundation Trust	4.9	3.3	1.6	41.4	41.4	0.0
Royal Berkshire NHS Foundation Trust	8.7	1.5	7.2	65.6	65.6	0.0
BOB Total	25.5	16.4	9.1	152.2	150.3	1.9

- As can be seen above there is a general trend for capital spend to be behind plan at this stage.
- In the case of Royal Berks the variance has arisen due to a detailed review of capital accruals undertaken by the trust.
- The overall provider position shows YTD performance behind plan. However year end forecasts shows that providers are, in general, confident that this slippage will be caught up as the year progresses.

ICB CAPITAL

- The ICB has an additional capital allocation of £3m for the year. This is currently in line with Expressions of Interest (EOI's) submitted. PIDs need to be submitted to NHSEI in a timely manner for review and approval with sufficient time remaining to enable delivery in the current financial year.

SYSTEM RISKS TO FINANCIAL PLAN

- There are a number of ICS wide risks developing to the delivery of the financial plan
 - Activity & waiting times : The requirement to increase elective activity and tackle longer terms waiters is likely to put financial pressures on providers. This is likely to be a specific issue for cancer patients amongst others.
 - Capacity issues are likely to effect operational activities as the year progresses. Particularly into the winter period.
 - The ICS overall has a significant CIP programme. As well as those specifically forming part of provider plans the agreed ICS wide £22m savings target is a financial risk.
 - COVID is continuing to cause operational and financial difficulties for providers. Should the pandemic continue this is likely to pose a risk to both operational performance and financials.
 - Escalating inflationary pressures pose a major risk to the overall financial positions. This is both in terms of general price increases and specific items i.e. agency rates and energy costs
 - Integral to the plans of the ICS is the need to reduce the use of agency and to reduce rates to a standardised level across all providers. The need to access more staffing resources to deliver due to both COVID and operational pressures is likely to put this at risk.
 - There are still residual supply chain difficulties in accessing certain items. This is likely to both push up prices and lead to the need to access alternative, more expensive, products.