

BOARD MEETING

Date of meeting: 17 th January 2023	Paper no: 9
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Title of paper: Finance Report M8 (November 2022)
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Paper is for:		Discussion	✓	Decision		Information	✓
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Purpose and Executive summary:

To brief the Board on the financial position of the ICB and system at month 8.

The key points are as follows:

- The financial position of the ICS has improved in M8, by £4.0m year to date (YTD) and £43.5m forecast outturn (FOT) but overall the forecast remains off plan by £47.8m.
- The ICB is forecasting a break even position, the providers collectively are forecasting £47.8m deficit. It is assumed that the £22m system CIP will not be delivered this financial year
- Two providers are forecast to be worse than plan (OUH £12.1m and RBFT £18.5m); two providers are now forecast to be better than plan (BHFT £1.9m and OH £3.0m).
- The ICS underspent by £4.0m in month (M7 overspent by £13.1m) to reach a YTD adverse variance to plan of £47.4m (M7 £51.4m). The ICB underspent by £4.8m while providers overspent by £0.8m. This is an improvement compared with the previous trend, for both the ICB and providers.
- Pay costs remain as a significant pressure across all providers with the use of agency/locum staff increasing. Agency YTD spend is £74.7m (M7 £66.5m). This is £22.8m adverse to plan (M7 £19.7m). This has generated adverse variances due to both increased usage and escalating rates.
- The ICB YTD overspend is driven mainly by Prescribing, CHC and under delivery of savings targets.
- The most likely forecast at M8 for the ICS has improved significantly to an overspend of £47.8m from £91.3m at month 7. Outstanding risks to delivery are being assessed to determine the level of mitigation that might need to be put in place. All organisations within the ICS have agreed to collectively manage any risk of non delivery of forecast outturn.
- Slippage/under-achievement of savings programmes has been a major contribution to overspends across the system (only 55% achieved YTD, equivalent to £41.0m behind plan (M7 £36.6m).
- Capital is underspent YTD by £63.9m (mainly driven by underspends at RBFT and to a lesser extent OUH) but with an increased year end overspend forecast of £5.7m (M7 £2.6m). There are developing pressures at a number of providers and the system is reviewing the potential to re-distribute allocation between providers.
- The ICS has committed to deliver a £47.8m deficit; and has agreed to collectively manage the risks of delivery and to continue to work to improve the outturn position.

Financial implications of paper:
The ICB is not proposing to change its forecast outturn of breakeven, as per plan for 2022/23.

Action required:
The Board is asked to note the financial position of the ICB and to approve that the forecast outturn for the ICB assumes that there will be no contribution from the system wide saving schemes this financial year.

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Executive lead / Senior Responsible Officer: Jim Hayburn – Interim ICS CFO

Conflicts of Interest

- Provide details of any known relevant direct, indirect or potential conflicts of interest, and how these have been/are to be managed in the meeting, for voting members and/or standing invitees
- Provide supporting details, the same as above, for discussions, decisions and recommendations in the lead up to the decision required from this paper. (E.g. including clinical engagement, bidders for and staff involved in procurements which leads to contract award).
- If not required, state 'Not applicable'
- If unclear, please consult the Governance Team.

No conflict identified	✓
Conflict noted: conflicted party can participate in discussion and decision	
Conflict noted, conflicted party can participate in discussion but not decision	
Conflict noted, conflicted party can remain but not participate in discussion	
Conflict noted, supported paper withheld from conflicted party e.g. pecuniary benefit	
Conflicted party is excluded from discussion	

9. Finance Report

Month 8 2022/23

BOB ICS Finance Report

The following report outlines the financial position of the ICS for the first eight months of 2022/23. Where relevant the performance of the three predecessor CCGs have been aggregated into the ICB's position in line with NHSEI reporting requirements.

- The financial position of the ICS has improved in M8, by £4.0m year to date (YTD) and £43.5m forecast outturn (FOT) but overall the forecast remains off plan by £47.8m.
- The ICB is forecasting a break even position, the providers collectively are forecasting £47.8m deficit. It is assumed that the £22m system CIP will not be delivered this financial year
- Two providers are forecast to be worse than plan (OUH £12.1m and RBFT £18.5m); two providers are now forecast to be better than plan (BHFT £1.9m and OH £3.0m).
- The ICS underspent by £4.0m in month (M7 overspent by £13.1m) to reach a YTD adverse variance to plan of £47.4m (M7 £51.4m). The ICB underspent by £4.8m while providers overspent by £0.8m. This is an improvement compared with the previous trend, for both the ICB and providers.
- Pay costs remain as a significant pressure across all providers with the use of agency/locum staff increasing. Agency YTD spend is £74.7m (M7 £66.5m). This is £22.8m adverse to plan (M7 £19.7m). This has generated adverse variances due to both increased usage and escalating rates.

- The ICB YTD overspend is driven mainly by Prescribing, CHC and under delivery of savings targets.
- The most likely forecast at M8 for the ICS is an overspend of £47.8m (M7 £91.3m) Outstanding risks to delivery are being assessed to determine a revised range of forecasts. All organisations have agreed to collectively manage any risk of non delivery of forecast outturn.
- The ICS system wide savings target of £22.0m that is held within the ICB will not be delivered in year.
- Slippage/under-achievement of savings programmes has been a major contribution to overspends across the system (only 55% achieved YTD, equivalent to £41.0m behind plan (M7 £36.6m).
- Capital is underspent YTD by £63.9m (mainly driven by underspends at RBFT and to a lesser extent OUH) but with an increased year end overspend forecast of £5.7m (M7 £2.6m). There are developing pressures at a number of providers and the system is reviewing the potential to re-distribute allocation between providers.
- The ICS has committed to deliver a £47.8m deficit; and has agreed to collectively manage the risks of delivery and to continue to work to improve the outturn position.

Year end forecast

The most likely forecast for 2022-23 is now £47.8m, from £90.3m at M7. The ICS is continuing to work on the risks and mitigations to this position and whilst this is the most likely forecast the range of forecast from best to worst is under review.

Table 1 – Most likely Year end forecast

ICS Body	Forecast (M08) Most Likely £m	Original Plan £m	Most Likely From Plan £m
Berkshire Healthcare	1.1	(0.9)	1.9
Buckinghamshire Healthcare	(17.7)	(17.7)	0.0
Oxford Health	(3.1)	(6.1)	3.0
Oxford University Hospitals	(10.8)	1.3	(12.1)
Royal Berkshire Hospital	(17.3)	1.2	(18.5)
ICS Providers	(47.8)	(22.2)	(25.5)
BOB ICB (Incl. Q1 CCGs)	0.0	0.4	(0.4)
BOB ICS Bodies	(47.8)	(21.9)	(25.9)
ICS-Wide System Savings	0.0	21.9	(21.9)
BOB ICB (Incl. ICS-Wide CIPs)	(47.8)	0.0	(47.8)

System Wide Under/(Overspend) By Organisation

The overall financial position of the ICS for the first eight months of the financial year is shown below. Where relevant the performance of the predecessor CCGs for first three months of the year is aggregated into the figures.

The position is first analysed by organisation (Table 1) then by type of expenditure (Table 2) with an aim to draw out common themes.

The YTD and movement in month is analysed below by organisation:

Table 1 – System under/(overspend) by organisation

ICS Body	In Month (M08)			Year to Date		
	Plan	Actuals	Variance	Plan	Actuals	Variance
	£m	£m	£m	£m	£m	£m
Berkshire Healthcare	(0.0)	0.0	0.1	(0.7)	0.1	0.8
Buckinghamshire Healthcare	(1.2)	(1.3)	(0.1)	(12.0)	(12.3)	(0.3)
Oxford Health	(0.7)	0.9	1.6	(2.8)	(0.5)	2.3
Oxford University Hospitals	(0.3)	0.2	0.5	0.5	(10.2)	(10.7)
Royal Berkshire Hospital	0.7	(2.3)	(3.0)	0.8	(12.4)	(13.2)
ICS Providers	(1.6)	(2.5)	(0.9)	(14.2)	(35.4)	(21.2)
BOB ICB (Incl. Q1 CCGs)	(0.1)	6.6	6.7	(0.4)	(12.0)	(11.6)
BOB ICS Bodies	(1.7)	4.1	5.8	(14.6)	(47.4)	(32.8)
ICS-Wide System Savings	1.8	0.0	(1.8)	14.6	0.0	(14.6)
BOB ICS (Incl. ICS-Wide CIPs)	0.1	4.1	4.0	0.0	(47.4)	(47.4)

Whilst the agreed ICS-wide £22m savings target is reflected in the ICB's reported position to NHSEI this is shown separately above. This was agreed as a system wide issue when included in the revised financial plan re-submission in June 2022, not an ICB specific requirement

Key Points per Body

- **ICB / CCGs :**
 - For the first eight months of the year a YTD adverse variance of £11.6m (M7 £18.2m) is reported (exc the ICS wide system savings target). This is an in month improvement £6.6m. (M7 £9.7m deterioration) The main drivers of the YTD overspend continue to be CHC (£2.8m in month), prescribing (£1.0m in month), IS/NCA (£0.7m in month) and unidentified savings (£0.5m in month).
 - CHC is of particular concern with the overspend increasing in month.
 - The Prescribing position has steadied but is reliant on the delivery of £1.8m savings targets. There are indications that the pressure on the budget may increase in future months due to Category M and NCSO pressures that are likely to impact.
 - It is anticipated that the ICB will deliver a year end breakeven position as a result of recovery actions that are now in place. These are non recurrent and involve actions such as release of balance sheet flexibility, stopping investments and holding back specific SDF funding.
 - These figures do not include the ICS-system wide £21.9m savings target. This is a system held target. The YTD variance including this savings target would be a deterioration of £14.6m to £26.2m in total.
- **Berkshire Healthcare :**
 - Berkshire Healthcare was on plan in M8 and YTD has a small positive variance to plan of £0.8m.
 - Pay spend overall is approximately in line with plan with substantive vacancies being covered where necessary by agency.
- **Buckinghamshire Healthcare :**
 - A small adverse variance is reported to plan in M8 and a £0.3m adverse variance to plan YTD.
 - The trust is still forecasting the delivery of it's year end plan of a £17.7m deficit. Unlike other Trusts, it has been unable to offer any improvement to the forecast position.
- **Oxford Health :**
 - The trust has further improved it's position this month and is now £2.3m ahead of plan YTD (M7 £0.7m)
 - Whilst significant agency spend has been required to maintain operations this has been managed within the overall position.
- **Oxford University Hospitals :**
 - The reported £10.7m YTD adverse variation from plan (M7 £11.3m) is largely driven by pay costs. This overall position has been held at a small surplus in M8. As per recent months, the Trust has been able to hold a near breakeven position due to one-off issues. This month this was enabled by income recognition in month related to neighbouring ICSs.
 - As per other Trusts costs are driven by the need to deliver activity and maintain services in the face of continuing COVID related pressures.
- **Royal Berkshire Hospitals :**
 - The reported adverse variance of £13.2m YTD has increased in-month by £3.0m (M7 £2.5m).
 - The trust has faced increased costs to deliver the higher levels of elective activity required by NHSEI.

System Wide Surplus / (Deficit) by expenditure type

Table 2 analyses the financial performance of the providers by category of expenditure. This is generated from the monthly submissions made to the ICB by providers.

Table 2 – System under/(overspend) by type of expenditure

Expenditure Category	In Month (M08)			Year to Date		
	Plan	Actuals	Variance	Plan	Actuals	Variance
	£m	£m	£m	£m	£m	£m
Income	277.8	289.2	11.4	2,224.3	2,277.1	52.8
Pay	(167.3)	(174.2)	(7.0)	(1,340.2)	(1,392.3)	(52.2)
Non - Pay	(106.0)	(112.2)	(6.2)	(848.9)	(873.6)	(24.7)
Non - Operational Expenditure	(6.2)	(5.4)	0.8	(49.4)	(46.6)	2.8
Total Expenditure	(279.5)	(291.8)	(12.3)	(2,238.5)	(2,312.5)	(74.0)
NHS Providers	(1.7)	(2.6)	(0.9)	(14.2)	(35.4)	(21.2)
BOB ICB (Incl. Q1 CCGs)	(0.1)	6.6	6.7	(0.4)	(12.0)	(11.6)
BOB ICS Bodies	(1.8)	4.0	5.8	(14.6)	(47.4)	(32.8)
ICS-Wide System Savings	1.8	0.0	(1.8)	14.6	0.0	(14.6)
BOB ICS (Incl. ICS-Wide CIPs)	0.0	4.0	4.0	0.0	(47.4)	(47.4)

Common Themes by type of expenditure

ICB / CCGs :

- These are reported as brief summary lines as any subjective analysis to avoid duplication of spend as the majority of payments are to BOB ICS providers.
- A detailed financial report is considered by the ICB Executive Team each month.

Provider Income :

- A YTD overachievement of £52.8m (M7 £41.4m) is reported.
- The main driver for this variance is additional funding passed from the ICB and other commissioners.
- This relates to pay award funding, SDF, and other programmes

Provider Pay Costs :

- A YTD overspend of ££52.2m (M7 £45.3m) is reported.
- The £7.0m overspend reported in month (M7 £7.3m) shows a slight reduction on the YTD trend.
- Underlying factors are recruitment issues, the need to deliver increased activity and COVID relating to both increased staff sickness and still significant activity.
- Agency spend continues to be an issue across the ICS. Within this there is both a price and usage variance.
- As can be seen from Table 4, providers have spent £74.7m on agency/locums for the year to date (exc Bank staff) (M7 £66.5m), £22.8m in excess of plan (M7 £19.7m).
- An additional factor in this overspend is the slippage in CIP plans.
- As at M8 provider plans for pay related savings were £14.5m behind plan.

• Non-Pay Expenditure :

- Overall non-pay expenditure reports an overspend of £24.7m as at M8 (M7 £18.5m)
- An underlying issue is the slippage/non-delivery of CIPs in this area of expenditure which are £6.1m behind plan.

Table 3 Provider pay costs variance by organisation

Provider	M08 Variance To Plan	
	In Month £m	YTD £m
Berkshire Healthcare	0.2	(0.0)
Buckinghamshire Healthcare	(2.1)	(10.8)
Oxford Health	0.8	(3.8)
Oxford University Hospitals	(4.3)	(29.6)
Royal Berkshire Hospital	(1.5)	(8.0)
ICS Providers	(6.8)	(52.2)

Table 4 Agency spend analysis by provider

Provider	M08 Year To Date		
	Plan £m	Actual £m	Variance £m
Berkshire Healthcare	3.2	5.2	(2.0)
Buckinghamshire Healthcare	12.0	12.7	(0.7)
Oxford Health	30.5	38.2	(7.7)
Oxford University Hospitals	5.4	9.7	(4.3)
Royal Berkshire Hospital	0.8	8.8	(8.0)
ICS Providers	51.9	74.7	(22.8)

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 £92.0m of savings to be delivered at this point in the year. Of this only £51.1m (M7 £38.4m) has been delivered, leaving an adverse underachievement of £41.0m at this point in the year
- It should be noted that included in these figures is the £22.0m ICS system wide target

By Organisation

- Table 8 shows that all ICS providers, apart from OH, are behind with the delivery of their CIP plans.
- The ICB itself is also behind with its plans, with only 25% of the YTD target identified at this point. £14.6m of this is the ICS system wide gap for which mitigations have not been identified.

By type of expenditure

- Table 9 shows provider CIP plans analysed between pay, non-pay and income
- Both pay and non-pay are behind plan but income schemes have delivered in excess of target

Table 5 System Efficiencies

Provider	M08 Year To Date			
	Plan	Actual	Variance	
	£m	£m	£m	%
Berkshire Healthcare	5.5	3.3	(2.2)	-40%
Buckinghamshire Healthcare	15.7	14.3	(1.4)	-9%
Oxford Health	5.3	5.5	0.3	5%
Oxford University Hospitals	28.7	21.0	(7.7)	-27%
Royal Berkshire Hospital	4.5	0.0	(4.5)	-100%
ICS Providers	59.6	44.1	(15.6)	-26%
ICB Including Preceding CCGs	32.4	7.0	(25.4)	-78%
ICS Total	92.0	51.1	(41.0)	-45%

Table 6 System Efficiencies by type of spend

Provider	M08 YTD Variance			
	Pay	Non Pay	Income	Total
	£m	£m	£m	£m
Berkshire Healthcare	(1.2)	(1.2)	0.1	(2.2)
Buckinghamshire Healthcare	(3.7)	1.5	0.8	(1.4)
Oxford Health	(2.0)	2.3	0.0	0.3
Oxford University Hospitals	(4.5)	(5.7)	2.5	(7.7)
Royal Berkshire Hospital	(3.1)	(1.4)	0.0	(4.5)
ICS Providers	(14.5)	(4.5)	3.4	(15.6)
ICB Including Preceding CCGs	0.0	(10.8)	0.0	(10.8)
ICS System Wide Gap (£22m)	0.0	0.0	(14.6)	(14.6)
ICS Total	(14.5)	(15.3)	(11.2)	(41.0)

PROVIDER CAPITAL

The table below summaries the overall provider capital position:

Table 7 System Capital position

Provider	YTD (M08)			Year End Forecast		
	Plan	Actual	Under/Over Spend	Plan	Actual	Under/Over Spend
	£m	£m	£m	£m	£m	£m
Berkshire Healthcare	5.2	4.6	0.6	8.7	11.8	(3.1)
Buckinghamshire Healthcare	13.3	16.1	(2.8)	20.0	20.0	0.0
Oxford Health	6.9	3.9	3.0	9.9	12.5	(2.6)
Oxford University Hospitals	18.1	5.8	12.3	36.4	36.4	0.0
Royal Berkshire Hospital	56.2	5.4	50.8	58.9	58.9	0.0
Programme Costs	99.8	35.9	63.9	133.9	139.6	(5.7)
Primary Care (ICB Only)	0.0	0.0	0.0	3.0	3.0	0.0
Total BOB ICS	99.8	35.9	63.9	136.9	142.6	(5.7)

ICS providers are behind plan at M8. Key factors in this are :

- A significant underspend at RBFT due to delayed starts to schemes. This is expected to be fully spent by the year end.
- A smaller overspend at Bucks HC due to issues around the Wycombe Tower. This is likely to be an ongoing problem.
- The year end position is forecast for the charge against the capital allocation to be overspent by £5.7m (M7 £2.6m).
- BHFT have moved their forecast to an overspend of £3.1m at M8.
- Work is underway to identify whether there will be any requirement/opportunity to move allocations between providers.