

# NCL ICS Financial Review

- Supplementary information in response to questions relating to the finance paper

JHOSC meeting 30<sup>th</sup> Sept 2022

28<sup>th</sup> September 2022

# Supplementary information (1/2)

## Questions

- On Slide 12 of the paper it is mentioned that NCL ICS has an aggregate £14m adverse variance as of Month 4. While the reasons for this are given, the obvious question that the Panel will want to ask is where specifically the variance is coming from? Would it be possible to provide a breakdown of the £14m variance across the NCL system?
- Noting that the “22/23 Plan” column on Slide 12 includes varying levels of expected surplus/deficit for each Trust, Cllr Connor wanted to try and gauge how this compares to typical budgets from previous years. i.e. which Trusts are experiencing better/worse financial conditions than in recent years? It is noted on Slide 12 that 21/22 was a “highly unusual year” so it is difficult to make comparisons with this. She suggested that it would be useful to see a column of figures next to this for a relatively normal pre-Covid year (18/19 or 19/20). Would it be fairly straightforward to provide a column with just the headline figures from a previous year?

## Responses

- The table opposite supplements the table on slide 12 in the finance paper with a breakdown of the 22/23 M4 YTD £14m adverse variance.
- The table opposite includes the outturn position for NCL organisations for 18/19 and 19/20 – the last two “normal” financial years before the Covid pandemic – only the last month of 19/20 was affected by Covid.

### Please note:

- 21/22 – there were two late changes to the 21/22 outturn for UCLH and Tavistock and Portman. This is an update to the numbers shared in the finance paper.
- 18/19 – NCL did not include Great Ormond Street in the NCL STP for reporting purposes in 18/19.
- 18/19 was the last year that Trusts could include profits on the sale of assets in their financial performance. Both UCLH and Whittington benefitted from profit on sale of assets in 18/19. The NHSI finance regime operating in 18/19 rewarded Trusts that were able to report a surplus with additional funding which increased the surplus further.
- The financial performance in 19/20, an overall deficit of £95m, indicated the scale of the financial challenge that the system faced when planning for 20/21 before the financial regime changed due to the response to Covid.

Organisation	18/19 Outturn £'000	19/20 Outturn £'000	21/22 Outturn £'000	22/23 plan £'000	M4 plan £'000	M4 Actuals £'000	M4 Variance £'000
BEH	(182)	1,114	22,629	4,869	1,624	632	(992)
C&I	6,244	1,832	1,017	2,124	708	236	(472)
GOSH		4,660	(4,394)	(10,620)	(8,521)	(13,122)	(4,601)
MEH	11,422	390	19,773	1,590	(3,144)	(2,676)	468
NMUH	(3,184)	50	19,081	1,065	196	(3,429)	(3,625)
RFL	(67,081)	(30,715)	7,200	(31,100)	(22,114)	(26,391)	(4,277)
RNOH	(13,370)	(10,783)	11,931	(1,150)	(543)	1,648	2,191
T&P	2,735	218	(11,424)	(3,763)	(1,593)	(1,205)	388
UCLH	79,589	(15,855)	19,715	11,516	4,460	(2,129)	(6,589)
WHIT	28,190	50	496	(112)	(3,217)	(4,987)	(1,770)
<b>Trust Total</b>	<b>44,363</b>	<b>(49,039)</b>	<b>86,025</b>	<b>(25,581)</b>	<b>(32,144)</b>	<b>(51,423)</b>	<b>(19,279)</b>
NCL ICB	(50,523)	(45,629)	3,323	25,583	8,528	13,632	5,104
<b>System Total</b>	<b>(6,160)</b>	<b>(94,668)</b>	<b>89,348</b>	<b>2</b>	<b>(23,616)</b>	<b>(37,791)</b>	<b>(14,175)</b>

# Supplementary information (2/2)

## Questions

3. Slide 7 explains that £1.9bn of £3.2bn NCL ICB budget goes to the trust providers. There isn't a specific breakdown of the other £1.3bn but there is a breakdown of the overall ICB spend on Slide 9. Looking at Slide 9 though, it isn't possible to see which parts of that go to trust providers. Can we assume that, on Slide 9, the £1.9bn for the trust providers is mainly accounted for by the £1.7bn to Acute and part of the £400m for Mental Health?

## Response

3. Yes. Of the £1.9bn, £1.5bn is for acute, £0.3bn is for mental health and £0.1m is for community. The table opposite also shows the breakdown of the balance between £0.3bn for NHS trusts outside of the NCL and £0.9bn for other planned spend.

22/23 NCL ICB Planned Spend	Total	Planned spend with NHS trusts in-sector	Planned spend with NHS Trusts out of sector	Other Planned Spend
	£m	£m	£m	£m
Acute	1,707	1,464	208	35
Mental Health	407	322	10	75
Community Health	300	131	91	78
Continuing Care	142	0	0	142
Primary Care	248	0	0	248
Other Programme	52	0	0	52
Delegated Primary Care	264	0	0	264
Running Costs	29	0	0	29
<b>Total ICB Spend</b>	<b>3,150</b>	<b>1,917</b>	<b>310</b>	<b>923</b>

# NCL Provider Funding Profile (22/23)

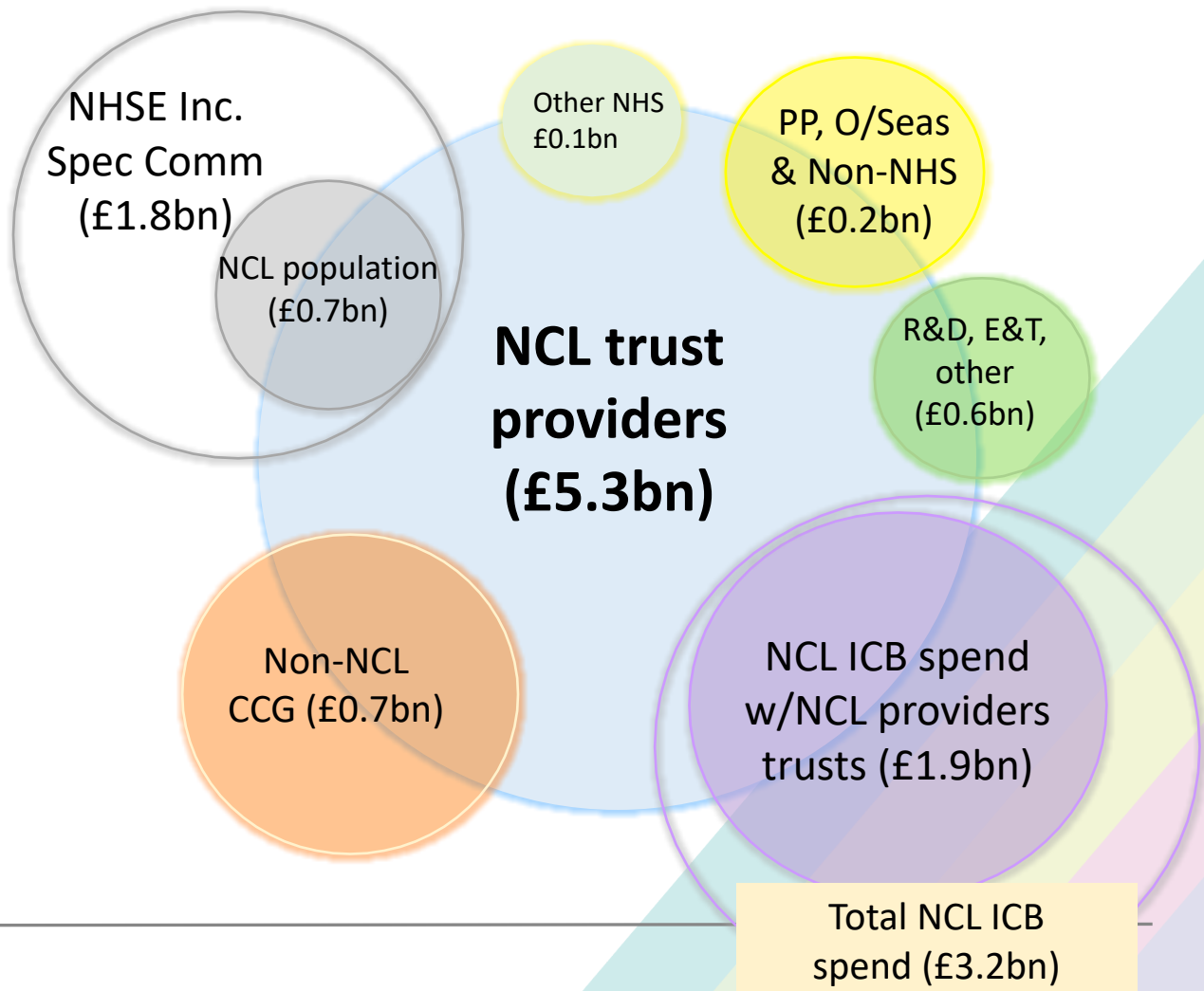
The NCL NHS providers receive income from a number of sources. The system is a net importer of activity and this is clear from the size of the provider income (£5.3bn) compared to the NCL ICB budget for its population of £3.2bn.

The total planned income for the 10 NCL trust providers is c£5.3bn.

Of this broadly c£2.6m is spent on NCL patients with c£1.9bn is received from NCL ICB (for services formerly commissioned by NCL CCG) and c£0.7bn from NHSE for Specialist services.

The balance is for treating non-NCL patients (c£1.8bn) and other patient care (c£0.3bn) and non-patient care income (c£0.6bn).

There is a more detail at a trust level on the following slide that demonstrates the extent to which trust provide local services for NCL patients and the extent to which they provide specialist services (a proportion of which is for NCL patients).

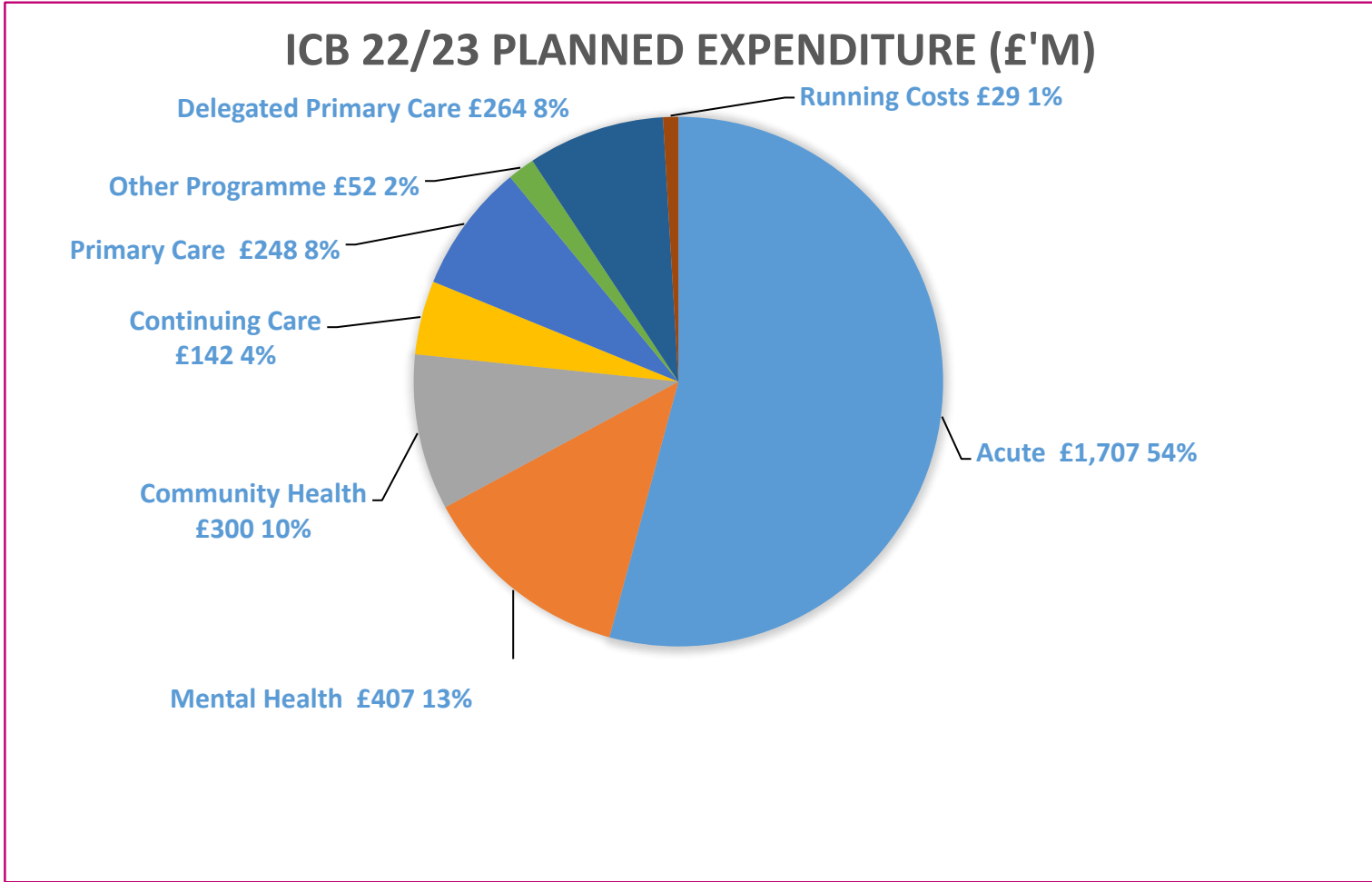


# NCL ICB Spending profile



The chart shows the proportion of 22/23 £3.2bn planned expenditure on services for the NCL population.

- The strategy for the ICB is to spend a greater proportion of the budget on pro-active and preventative and out of hospital services in order to require less hospital provision.
- The chart contains planned annual costs in 22/23. The first 3 months represent NCL CCG planned spend and the last 9 months NCL ICB planned spend.
- Health partners including Local Authorities will have a greater influence on ICB planning through their direct participation in governance processes than with the CCG in the past.
- In the near future the ICB is likely to be accountable for delegated commissioning responsibilities for both specialist commissioning services and pharmacy, optometry and dentistry. This will have a material impact on the overall funding for which the ICB is responsible and will change the spending profile.



# NCL ICS 21/22 outturn and 22/23 plan

In 21/22 NCL delivered a large surplus due to the highly unusual circumstances. The ICS worked together to submit a balanced plan for 22/23, however it contains a large level of financial risk.

## 21/22 outturn - £90.1m surplus

In a highly unusual year, the NCL ICS system generated a £90m surplus due to:

- Windfall gain from national elective recovery fund scheme in Q1 of 21/22.
- Non-recurrent technical benefits.
- Underspends due to reduced elective work in Covid waves during the financial year.

## 22/23 plan – Balanced plan

- The providers and the ICB worked together to submit a balanced plan.
- Each organisation has a significant financial stretch/level of risk in their plan including unidentified efficiency assumptions.
- Each organisation's position is supported by non-recurrent benefits.

## 22/23 in-year– Month 4 position

NCL ICS is reporting an aggregate £14m adverse variance at Month 4, due to a number of issues including:

- Under-delivery of efficiencies.
- Continued spend on Covid related measures in excess of plan.
- Under-performance in non-NHS income.
- Additional unplanned excess inflation pressures (with more expected to hit later in the financial year).

**N.B. Unlike Local Authorities, NHS organisations cannot carry forward expenditure reserves from one year to another. NCL ICB will inherit the cumulative NCL CCG historical deficit and will have an obligation to repay it unless the ICB and the system are in balance for the first two years.**

Organisation	21/22 Outturn	22/23 plan
	£'000	£'000
BEH	22,629	4,869
C&I	1,017	2,124
GOSH	(4,394)	(10,620)
MEH	19,773	1,590
NMUH	19,081	1,065
RFL	7,200	(31,100)
RNOH	11,931	(1,150)
T&P	(13,374)	(3,763)
UCLH	22,464	11,516
WHIT	496	(112)
<b>Trust Total</b>	<b>86,823</b>	<b>(25,581)</b>
NCL ICB	3,323	25,583
<b>System Total</b>	<b>90,146</b>	<b>2</b>