



NHS Finance Plan for 2022/23

NHS Frimley ICB Board
19th July 2022

Purpose: to set out the financial plan for the ICB covering key system partners.

Members are asked to:

- NOTE the range of potential national consequences should the system move into a deficit.
- DISCUSS the establishment of a system-owned financial mitigation plan
- AGREE the next steps proposed

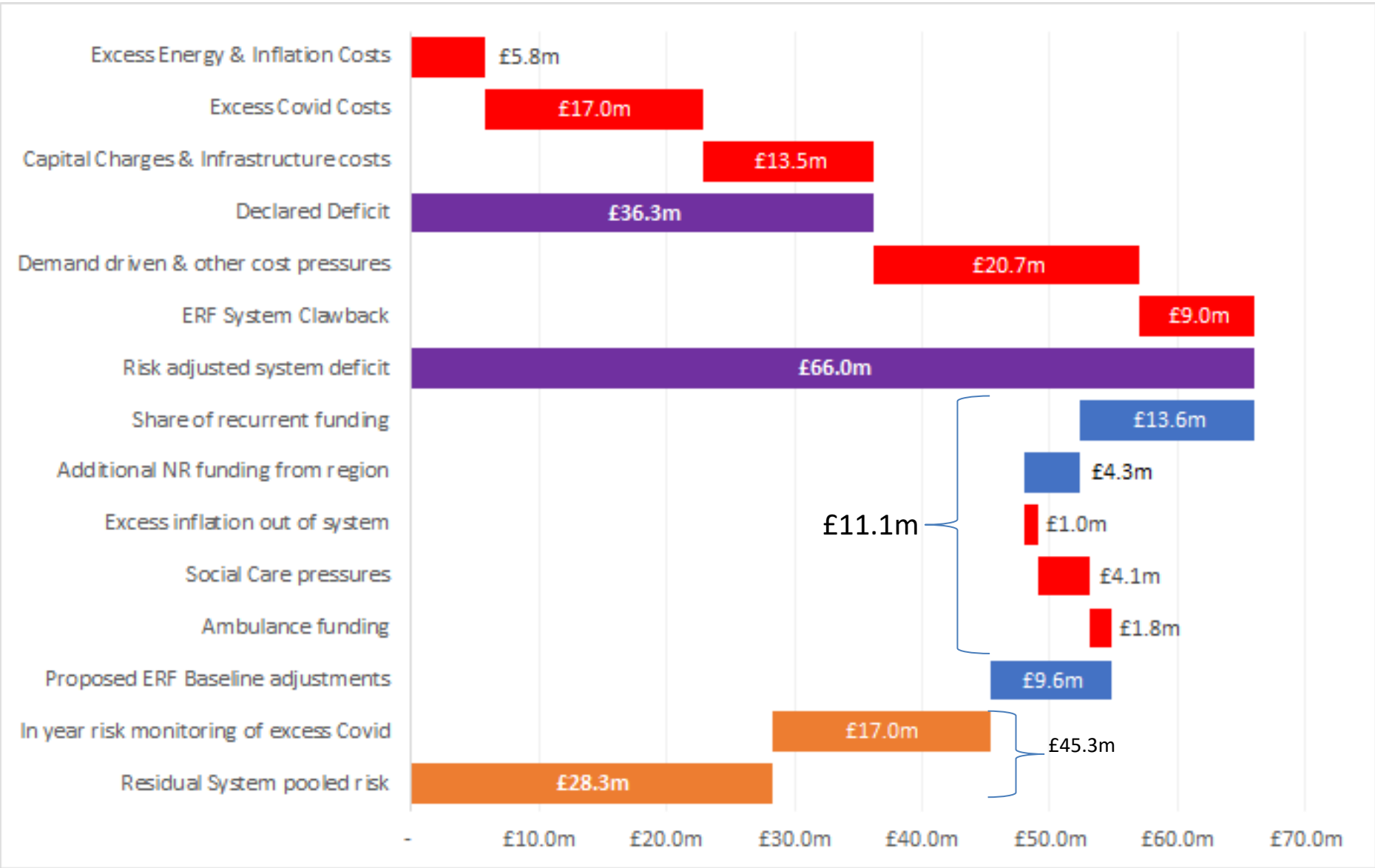
National & Local Context



- Systems across the country were required to resubmit plans on June 20th. The resubmission incorporated the receipt of a share of an additional £1.5bn nationally to cover additional inflationary pressures, social care pressures and target funding for 999 Ambulance services.
- The majority of systems submitted plans to deliver a balanced budget as the NHS recovers services across all care settings and deals with high emergency demand and increasing covid numbers. Systems which were not able to submit plans to break-even are subject to further regulatory escalation.
- The ICB and each partner Trust have a duty to remain within agreed Capital and Revenue limits. Nationally the ICB is recognised as being responsible for Frimley Health NHS Foundation Trust (FHFT), although locally in line with historical working arrangements we will work collaboratively with BOB & Surrey Heartland ICBs to support the delivery of Berkshire Healthcare (BHFT) & Surrey & Borders (SABP) NHS Foundation Trusts. Nominally 40% of BHFT and 22% of SABP are allocated to the ICB.
- At the end of June the system submitted a breakeven plan which outlined investments for key transformational activities, including the opening of the new Heatherwood Hospital, supporting the elective recovery programme, and transformation programmes linked to the long-term plan covering Community, Mental Health, Children & Young people, Primary Care and targeted funding to support reducing health inequalities.
- The plan includes a material efficiency requirement, and is aligned to national assumptions within the spending review around covid cases falling to levels experienced in early April & May 2021 and more limited inflationary pressures than are currently extant.

Summary of 2022/23 Financial Plan submission & risks identified within the plan

- The following details were used to support the agreement across our system to submit a balanced plan following the initial plan submission that identified a £66m risk adjusted deficit.
- The break even plan was submitted within the context of national and regional guidance that the NHS resource envelope was predicated on lower levels of covid prevalence and a materially lower inflation pressures., and that plans should reflect those assumptions.
- Our high level system modelling suggests that the our position will improve by £11.1m with an element of the funding supporting costs already in our plan, but also seeing funds move to partners outside of our NHS control total. **This leaves a residual £54.9m gap**
- We are working to mitigate our Elective Recovery Funding exposure through technical amendments to our target baseline including an allowance for RAAC capacity losses. If approved these will reduce our risk adjusted position by a further **£9.6m to £45.3m**
- That leaves residual risk of **£17m of Covid related costs predicted above nationally assumed planned levels, and a pooled system risk of c.£28.3m that we have collectively agreed to manage in year through further efficiencies and clawback of underspends from uncommitted investments and fortuitous slippage on planned increases in the cost base.**



Efficiency Plans across our system

- All partners across the System have identified challenging levels of efficiency ranging from 3% to 4.1%. When including the system stretch the ICB needs to deliver efficiencies totalling 5%.

Frimley ICB Efficiency Plans (£000's)	FHFT	BHFT	SABP	CCG/ICB	Total System Efficiencies (Incl SABP, BHFT)
Total Value of Efficiencies	28,057	9,900	13,882	17,316	97,455
Recurrent	19,555	6,762	13,378	17,316	57,011
Non-Recurrent	8,502	3,138	504	-	40,444
of which:					
Fully Developed	16,853	5,173	2,825	14,964	39,815
Plans in Progress	5,167	529	1,541	1,348	8,585
Opportunity	180	1,248	9,515	1,004	11,947
Unidentified	5,857	2,950	-	-	8,807
System break-even stretch target	-	-	-	-	28,300
Percentage Unidentified	21%	30%	0%	0%	38%
Impact on Providers within system				(8,616)	(8,616)
Provider Gross Operating Exp/ICB Allocation	911,528	316,419	323,485	220,537	1,771,969
Efficiencies as a percentage of relevant cost	3.0%	3.0%	4.1%	3.9%	5.0%

Note: The £97m of efficiencies across our system include £28.3m of collective system stretch. Total unidentified efficiencies across the system total £37.1m (38%).

Beyond these savings the system also needs to deliver significant reductions in the level of Covid expenditure, with funding reduced by 50% year-on-year.

Further & emerging risks to the system plan

- Beyond the existing, challenging, efficiency targets, risks to the delivery of the financial plan include:
 - Ongoing Covid pressures and unseasonably high non-elective pressures directly impacting the system's ability to stand down additional covid related capacity will result in increased temporary staffing costs and reduced elective capacity.
 - FHFTs Non-NHS Income is assumed to recover to 2019/20 levels with the Heatherwood business case dependent on further increase in PPU income that can contribute a margin.
 - Achievement of capital plans is dependent on quick decision making and operational capacity to withstand disruption caused by works.
 - Inflation pressures initially included in plans have been exceeded as energy prices are not subject to domestic price caps. Current estimates could total a further £10m pressure above the initial £4.6m total.
 - Uncertainty continues around the NHS Pay award. Expenditure plans provide for a 3% uplift as per guidance and the national settlement. Recent NHSE Board papers highlighted that should further funding not be made available then further efficiencies above current plans would be required.
 - The Frimley financial risk management process is complicated by the inclusion of system partners which are also inherent partners in other integrated care systems, which has the potential to create further risk and must be considered.
 - The wider macro-economic environment and local authority funding issues create further environmental risk, which is almost certain to impact the integrated care system in the immediate future.

Consequences of divergence from financial duties

- Given the level of risk within our plans, Board is asked to note the national interventions being placed on the 5 ICBs that were unable to submit a breakeven plan at the end of June which include:
 - Increased reporting and oversight requirements, with more frequent assurance and review meetings.
 - A requirement for NHSE/I to sign off any new investments above an agreed threshold.
 - Potential restrictions on capital funding for TIF, digital, STP “wave” capital and emergency capital.
 - A requirement to produce a detailed workforce analysis bridging from the pre-pandemic workforce showing where additional staff have been deployed, and for what, and a prospective view of where these staff are being used to aligned activity.
 - Possible withholding of the system’s share of the additional national revenue funding, which was predicated on systems closing their remaining gap.
- These controls are applied at a system level and therefore apply to all organisations in the system.
- **It is reasonable to assume that the same controls will be applied to systems in which material adverse movement from plan develops as the year progresses.**

Establishing an in-year system mitigation plan

- Although the Frimley system submitted a balanced plan, that plan contains material risk in both revenue and capital. It is therefore necessary rapidly to establish a mitigation plan for that risk, based on open and transparent financial relationships between system partners, and a clear and informed view of the system cost base and available resource.
- The strategic finance group will develop options to mitigate the financial risk inherent in the plan. Such options are likely to include:
 - The identification of residual balance sheet flexibility which might be utilised to support the position.
 - The pursuit of opportunities to increase system resource availability, primarily through increased elective delivery.
 - The utilisation of fortuitous slippage against planned investments, including transformation funding, as a mitigation.
 - The identification of potential planned slippage opportunities against currently uncommitted resource and any additional resource made available during the course of the year.
 - The development of a robust post-implementation evaluation & review process for new investment, with a clear decision-making process and exit strategy identified should transformation activities not demonstrably deliver the intended outcomes.
 - The establishment of a clear decommissioning process to be applied where such action is warranted.

The system strategic finance group will:

- Establish a clear view of system financial risk
- Develop options to mitigate that risk, for agreement at CEO level by system partners
- Develop options to structure commonality in system controls for new expenditure commitments
- Recommend a clear and robust governance process to enable escalation and oversight of financial risk within the system