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**Agenda Item X**

**NHS Gloucestershire ICB Board (Public Session)**

Wednesday 29th March 2023

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| **Report Title**  | **Board Assurance Framework** |
| **Purpose (X)** | **For Information** |  | **For Discussion** |  | **For Decision** |
|  |  |  |  | **X** |
| **Route to this meeting** |  |
| **ICB, ICS & Partners** | **Date** |
| Updates on the financial plan have been presented to various meetings throughout January to March: ICB Operational Execs, ICS Strategic Execs, NED network | Various through January to December 2023 |
| **Executive Summary** | This paper covers the proposed 2023/24 budget.The ICB submitted a draft plan to NHS England as part of a wider system plan on the 23rd February, this showed a deficit for all organisations within the Gloucestershire system. Further work on the plan within the System has enabled a breakeven plan to be developed within which all Gloucestershire NHS organisations are now able to set a break-even budget. Strict financial control and monitoring will need to be maintained during the year within the Gloucestershire NHS System and across all budget areas within the ICB in order to deliver the financial plan. A financial framework for the ICS is in place for 2023/24 and further development will be undertaken to build on System working based on the 2022/23 year. |
| **Key Issues to note** | The Gloucestershire NHS System has worked jointly to develop a budget focusing on delivery of the System joint operational plan with a focus on System rather than individual organisational positions within this.Whilst the ICB and NHS System has been able to deliver a balanced budget in 2023/24 this includes a number of non recurrent measures to deliver the position; the underlying position remains a deficit and key next steps need to be:* Ensuring robust delivery of the 2023/24 plan including savings with a focus on increasing the level of recurrent savings
* Improving overall productivity within the System
* Developing a medium term plan that delivers operational recovery and performance moves the System back to financial sustainability

The budget also includes the funding for Pharmacy, Ophthalmology and Dental services which are being delegated to the ICB from the 1st April 2023. |
| **Key Risks:****Original Risk (CxL)****Residual Risk (CxL)** | The ICB and System plan includes:* a high level of savings
* improvements in productivity within the plan
* the delivery of the elective recovery target in full (average 109% value weighted)
* the presumption that urgent care demand and flow will be managed via the additional programmes of work being implemented
* inflation not increasing further

Mitigations include:* strong programme management within organisations across savings, elective and urgent care programmes
* the ongoing identification of other savings to mitigate slippage in savings, demand pressures and potential increases in inflation

5 \* 5 = 255 \* 4 = 20 |
| **Management of Conflicts of Interest** | There are no conflicts of interests involved in producing this report. |
| **Resource Impact (X)** | **Financial** | X | **Information Management & Technology** |  |
| **Human Resource** |  | **Buildings** |  |
| **Financial Impact** | The ICB is proposing a breakeven budget |
| **Regulatory and Legal Issues (including NHS Constitution)**  | ICBs and their partner NHS trusts and NHS foundation trusts should exercise their functions with a view to ensuring that local revenue resource use does not exceed income in each financial year. NHS England has set the objective that each ICB, and the partner trusts that have their resource use apportioned to it, in accordance with the financial direction set out below, should seek to deliver a financially balanced system, which may be referred to as a ‘breakeven duty |
| **Impact on Health Inequalities** | Various programmes within the budget will impact on health inequalities and the impact will be assessed by the specific programmes |
| **Impact on Equality and Diversity** | Various programmes within the budget will impact on inequalities and diversity and the impact will be assessed by the specific programmes |
| **Impact on Sustainable Development** | Various programmes within the budget will impact on sustainable development and the impact will be assessed by the specific programmes |
| **Patient and Public Involvement** | There is no public and patient involvement on the overall budget but the budget is in line with the ICP strategy which had public and patient involvement |
| **Recommendation** | The Board is requested to:* Approve the proposed 2023/24 budgets, revenue and capital, including funding for existing schemes referenced in section 3 for Q1 whilst final decisions are made
* Support the measures required to deliver the proposed budget and improve the overall financial sustainability of the System and ICB
* Note the inherent risks within the plan
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| **Author** |  | **Role Title** |  |
| **Sponsoring Director****(if not author)** | Cath Leech, Chief Finance Officer |

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| **Glossary of Terms** | **Explanation or clarification of abbreviations used in the paper** |
| ICS | Integrated Care System |
| ICB | Integrated Care Board |
| GHC | Gloucestershire Health & Care Foundation Trust |
| GHFT | Gloucestershire Hospitals NHS Foundation Trust |
| GCC | Gloucestershire County Council |
| VCSE | Voluntary, Community and Social Enterprise |
| RSG | ICS Resources Steering Group |
| NHSE | NHS England |

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| **1.0** | **Introduction** |
|  | This paper outlines the proposed 2023/24 budget for the ICB. The ICB submitted a draft plan to NHS England as part of a wider system plan on the 23rd February, this showed a deficit for all organisations within the Gloucestershire system. Further work on the plan has enabled a breakeven plan to be developed within which all Gloucestershire NHS organisations are now able to set a break-even budget. Strict financial control and monitoring will need to be maintained during the year within the Gloucestershire NHS System and across all budget areas within the ICB in order to deliver the planned system changes. A financial framework for the ICS is in place for 2023/24 and further development will be undertaken to build on this based on the 2022/23 year.The Gloucestershire NHS System has worked jointly to develop a budget focusing on delivery of the System joint operational plan with a focus on System rather than individual organisational positions within this.The budget has been built from expenditure forecasts and includes plans to deliver better value from the funding allocated. The proposed budget is at Appendix 1. |
| **2.0** | **Resources** |
|  | The System has been issued with allocations for the full year of 2023/24.

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|  | 2023/24£m |
| Programme allocation(Used to commission health care services)  | 1,034.4 |
| Pharmacy, Ophthalmology, Dental Delegated Services | 50.1 |
| Elective Recovery Funding | 25.6 |
| Addnl physical/ virtual capacity funding | 9.4 |
| Additional Discharge Funding | 4.0 |
| SDF Funding | 16.1 |
| Primary care services allocation  | 114.1 |
| Running Cost Allocation | 12.1 |
| Other smaller allocations | 18.0 |
| **Total**  | **1,283.8** |

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|  | * Programme funding includes growth of 5.68% which recognises some of the increases in inflation being seen, in addition it includes an additional amount to be invested in the Mental Health Investment Standard. Gloucestershire ICB programme funding is above its Fair Share Allocation thus a convergence factor of -0.7% has been applied to the allocation; this represents an additional savings requirement for the system.
* Pharmacy, dental and ophthalmology allocations are being received in 2023/24 as funding and responsibility for these services is being delegated to the ICB from 1st April 2023.
* Elective recovery funding has been allocated to Systems on a fair shares basis and an associated elective recovery target set for each system.
* Additional physical and virtual capacity funding and discharge funding is to cover services that improve the overall urgent care systems and represents the recurrent allocation of funds allocated non recurrently in 2022/23.
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| **3.0** | **Expenditure** |
|  | The budget has been developed from the 2022/23 underlying recurrent position and delivery of the operational plan for 2023/24. |
| **3.1** | **Tariff & Uplift** The final national tariff has the following uplift and efficiency factors, these have been included on all relevant contracts: * inflation uplifts of 2.9%
* cash releasing efficiency savings of -1.1%

In addition, contracts with NHS providers are being uplifted by 0.6% (1.2.% for ambulance NHSFT) to cover additional ongoing costs related to covid and 0.9% for additional capacity funding.Estimated inflation uplifts for domiciliary and residential care are aligned with the Gloucestershire County Council proposed uplifts and are still in negotiation with the Care Sector.  |
| **3.2** | **Pre-Commitments, Investments and Cost Pressures**These fall into the following categories:* Cost pressures that have arisen in year: Cost pressures for each of the Gloucestershire NHS System partners have been reviewed through the Director of Finance group to test these, some of this work is ongoing.
* Mental Health Investment Standard investment
* Nationally mandated uplift on the Better Care Fund (BCF) of 5.66% for 2023/24. The uplift is almost wholly committed by inflation increases relating to the care sector and pressures within existing BCF budgets such as community equipment.

In addition, several allocations have been received covering the following areas:* Additional demand and capacity funding; this is funding received in 2022/23 which has been made recurrent. Schemes started in 2022/23 with non recurrent funding are in the process of being reviewed to determine which are delivering benefits and should be put forward for recurrent funding
* Additional discharge funding: this is funding received in 2022/23 which has been made recurrent. This funding was used to deliver additional capacity, such as discharge to assess beds, to support discharge and these are currently being reviewed.

 It is proposed that existing schemes funded under the above are funded for quarter one whilst reviews are completed and a final proposed use of the funding is developed.* Elective recovery

Each system has been allocated elective recovery funding within its initial planning totals (Gloucestershire non specialist funding is £25.6m). If elective activity of 109% 2019/20 value weighted levels average is achieved then this allocation will be fully received. However, where elective activity for the ICB either falls below or exceeds the target, then the ICB will only receive allocation associated with activity delivered The current system plan is based on achievement of the 109% target and therefore receipt of full elective recovery funding, the plan is based on a contribution from elective recovery funding of £16.3m to the overall system financial position. If elective performance drops below the 109% the system financial position will worsen. |
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| **3.2** | **Primary Care Budgets** |
|  | GP BudgetsThe revised allocation for Gloucestershire’s primary care budgets is £114m. This includes a transfer of £3.7m relating to GP access funding from the programme allocation and an uplift of 6.48%. The budgets (Appendix 2) have been built up from the budgets and expenditure profile in 2022/23 and known changes to the GP contract. There remains a high degree of risk in delegated budgets and there is an additional overcommitment on the delegated primary care budget; this is due to a number of factors including the historic adjustment for clinical liability, the impact of national contract changes over a number of years where mandated expenditure increases do not match growth in allocation and the ICB investment decisions in primary care premises. Any shortfall in the delegated budgets is a call on the programme allocation.Pharmacy, Ophthalmology and Dental BudgetsThe budgets are shown in Appendix 3 and there is ongoing work with NHSE as part of the delegation agreement process to ensure that budgets and contracts are fully understood and can be managed appropriately during the year. |
| **4.0** | **Productivity and Efficiency Requirements** |
|  | The ICB’s interim budget includes an efficiency programme as follows;* £3.0m medicines management programme
* £1.5m CHC & placements
* £3.1m from discharge to assess bed costs and associated budgets
* £2.1m 1.8% efficiencies within other contracts plus additional contractual efficiencies
* £3.4m other measures – already identified through budget reductions.

The medicines programme is focussed on gaining the benefit from nationally negotiated prices and also on a number of areas where greater value can be obtained from existing prescribing expenditure either directly or within the system as a whole, medicines use review where frailer individuals have multiple medicines is one example of this focus.The CHC & Placements programme includes the ongoing implementation of electronic call monitoring, regular reviews of cases, ensuring that guidance on eligibility for funding is followed and ensuring that services are delivered as per contracts.Discharge to assess bed costs increased significantly during the covid period and remain high, the Urgent Care Programme transformation programme plus investment in Home First should enable a shift to a more appropriate pathway for those discharged from a hospital setting leading to a reduced requirement for discharge to assess beds. |
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| **5.0** | **Reserves** |
|  | The ICB proposed budget does not include a contingency. All other reserve balances relate to approved commitments or specific allocations which have been approved in either this or a previous financial year.Any investments, where an approved business case or contract variation has yet to be signed off, will be held in reserves until approval and additional spend is incurred.Additional measures need to be considered in year to generate extra savings to increase the System’s ability to manage financial risk in year.  |
| **6.0** | **Risk Management** |
|  | The proposed ICB and System budget for 2023/24 is a breakeven financial position, however, this includes significant risk for all organisations:* High levels of savings to be delivered
* Inflation risk, particularly, energy, food, care market, prescribing
* Risk of non delivery of the elective recovery leading to reduced income to the system but an inability to remove costs
* The assumption that demand can be managed within the current financial budgets

 In year risk management measures will include* System review of all bids for both revenue and capital in year to ensure that no any decisions impacting on the overall recurrent cost base for the system are taken without full sign off
* Use of additional allocations in year
* The use of non recurrent slippage in year
* Ongoing development of recurrent savings plans
* Other non-recurrent measures to be determined

Key risks and mitigating actions are shown in Appendix 4. In addition to this. In order to manage in year financial risks the following actions were agreed previously by Boards including the CCG Governing Body and remain in place:* Developments funded which are not unavoidably committed will be retained within reserves. Release of developments will be subject to a business case sign off. Non recurrent slippage will be retained to support the overall system financial position
* All additional allocations/successful bids will be reviewed by Executive teams in advance of any commitment to test whether a contribution to the financial position can be identified.
* No controllable expenditure will be committed if there is no identified funding source unless the risk of not proceeding is deemed to be too significant.
* Underspends will be removed from budgets periodically throughout the year on a recurrent or non-recurrent basis, depending on the situation, in year following discussion with the relevant Director.
* The first call on any budgets released whether recurrently or non recurrently will be to support the overall management of the System financial position
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| **7.0** | **Capital** The proposed capital budget for the System is shown at appendix 5.System Capital Allocations total £34.5m as a baseline plus an additional £3.1m as the System has achieved a breakeven financial position in 2022/23, total £37.6m. In addition, there are a number of other funding sources such as asset disposals and separate, specific allocations. Spend against these additional funding sources will be incurred once the funding for schemes is secure. Each organisation has prioritised its capital schemes, taking into account pre commitments and risk within their organisations, and the overall programme has been reviewed jointly by Directors of Strategy and Directors of Finance. |
| **8.0** | **Next Steps**1. Ensuring we can deliver the current financial plan,
	* Ongoing work on savings in the current plan to get to and implement robust plans
	* Increase the value of recurrent savings within the plan
2. Focussing, as a system, on cost drivers and areas where we have increased costs but not maintained productivity
	* Acute information more readily available and analysis well developed
	* Information on other sectors harder to produce, further work will be needed to assess position
	* Focus on improving productivity so we can manage increasing demand within current costs and, in some circumstances, cost out
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| **9.0** | **Recommendation** |
|  | The Board is asked to:* Approve the proposed 2023/24 budgets, revenue and capital, including funding for existing schemes referenced in section 3 for Q1 whilst final decisions are made
* Support the measures required to deliver the proposed budget and improve the overall financial sustainability of the System and ICB
* Note the inherent risks within the plan
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|  | **Appendices*** Appendix 1 – Proposed revenue budget
* Appendix 2 – Proposed primary care budget
* Appendix 3 – Proposed POD budget
* Appendix 4 – Risk management
* Appendix 5 – Proposed capital budget
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