



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

IMPROVEMENT AND SCRUTINY COMMITTEE – HEALTH

21 November 2022

Report of the Integrated Care Board

Derby and Derbyshire ICS Mid-year Financial Update

Context

This report covers the aggregate financial position for the five NHS providers across Derby and Derbyshire as well as the ICB with its primary care, commissioning, Prescribing and CHC responsibilities. The total annual allocation for the system stands at £2.9bn, and when the 22/23 annual plans were compiled, there was a commitment to breakeven. However, after assuming a 3% efficiency would be achieved across the board, there was still a residual gap of £65m for breakeven to be achieved. System partners accepted this challenge and work continues to close this gap despite services being under unprecedented operational pressure.

The Current Position

For the period ending 30 September 2022 the system has an aggregate overspend of £29.3m and is now forecasting a gap to breakeven by the year end of £39.8m: a reduction of £25.2m from the £65m referenced earlier. This needs to be viewed in the context that the national allocation formula assumed COVID costs would cease by 30 June 22, whereas it's widely acknowledged that COVID remains with us: plus, the rapid increase in the cost of living affects the NHS like it affects all parts of society. The additional cost burden these two items have created for the NHS total £8.1m and £6.3m respectively. These pressures are included within the residual gap of £39.8m referred to above.

Clearly there are also cash implications with running a deficit which itself puts added challenge into capital investment plans but currently we are continuing

to commit to break even by the year end and are making strides in this direction. Accordingly capital plans are currently not affected.

All the above needs to be viewed alongside the determined effort that is being made to meet the urgent care pressures, clear the backlog in elective waiting times and work alongside Local Authority partners in maximising the out of hospital capacity for safe discharge. Not surprisingly all this requires people on the ground, so our biggest challenge is finding scope for efficiencies whilst also needing to recruit. In the current climate we are therefore focussing hard on productivity, both in core hours and at weekends/out of hours. For the medium term we are also examining all options for transforming clinical pathways using digital and flexible working/pooling arrangements.

Financial Outlook

As is to be expected, any non-recurrent solutions to achieving breakeven in 22/23 may have implications for 23/24 and beyond so in parallel with achieving break even for this year we are modelling for 23/24 in advance of formal notification of allocations from NHSE- expected in the new year. There are many uncertain variables in predicting this allocation, so the immediate focus is on reducing our cost base and obtaining maximum value from the £2.9bn that we do have rather than focussing on the £39.8m that we don't. For these reasons It is too early to be talking specific Income and Expenditure positions for future years but we expect clarity from the national team in the new year.

System Working

Positively, the first few months since the creation of the ICB has seen genuine collaboration on our collective financial challenge by all our providers, which bodes well for the future. It must be acknowledged that two providers are now formally posting an Income and Expenditure surplus at the 22/23-year end to partly offset the deficits that are appearing in the others. This is critical for maximising value out of the £2.9bn and reputationally is important for the system. The ambitious aim is to ensure every organisation achieves break even this year as this is the most secure way of maintaining liquidity. It also helps deliver confidence to the public that we are well led and using public resources appropriately. Thus, there is real evidence of continued openness and joint planning alongside managing the operational challenges our front-line colleagues are facing relentlessly. Equally as we plan for future years, our aspiration is to protect additional resources to help address the health inequalities and wider population health issues across our communities. A specific commitment in this regard is being modelled for 23/23, which by association, and with a cash limited allocation, will put added financial pressures on our provider/primary care organisations. Similarly, conversations

are already underway across health and local authority finance teams to ensure we can support each other's challenges in a mature and strategic manner; and seamlessly align our priorities.

Summary

In short, the operational challenges facing the Derby Health System are unprecedented as we emerge from the pandemic. These have been exasperated by the work force challenges both health and care are experiencing, which ultimately means that financially we have a significant challenge. Despite this environment the evidence demonstrates the financial gap is closing for 22/23 and we remain positive that Income and expenditure break even by the year end is eminently doable. Harnessing now, the genuine collaboration and collegiate working that is already across health and care providers is the most secure way of delivering affordable, safe, care and improving population health for 23/24 and beyond.

Recommendation

That the Committee notes the report.

Keith D Griffiths
Chief Finance Officer
Derby and Derbyshire ICB

November 2022