



## Leicester, Leicestershire and Rutland

### LEICESTER, LEICESTERSHIRE AND RUTLAND JOINT HEALTH SCRUTINY COMMITTEE: 18 DECEMBER 2023

### LEICESTER, LEICESTERSHIRE AND RUTLAND ICB (LLR ICB) MEDIUM TERM FINANCIAL PLAN

### REPORT OF THE LLR ICB CHIEF FINANCE OFFICER

#### Purpose of report

1. The purpose of this report is to inform the committee about the level of financial pressure facing the NHS in the medium term as published in our five-year plan. It also provides an update on pressures occurring in 2023/24 and outlines the likely impact of those financial pressures going forwards.

#### Policy Framework and Previous Decisions

2. This paper builds on the work published in the Leicester, Leicestershire and Rutland Integrated Commissioning Board (LLR ICB) 5 Year plan which can be found at the following links:  
<https://leicesterleicestershireandrutland.icb.nhs.uk/about/leicester-leicestershire-and-rutland-five-year-plan/>  
<https://leicesterleicestershireandrutland.icb.nhs.uk/wp-content/uploads/2023/07/Chapter-6-Our-Finances-21072023.pdf>
3. The overall plan was presented to the Leicester, Leicestershire and Rutland Joint Health Scrutiny Committee on 18<sup>th</sup> September 2023, the committee wanted to understand more about the medium-term financial plan and in particular:
  - a. How we will manage our budget over the next few years;
  - b. How inflation is applied;
  - c. How population growth is accounted for;
  - d. How and what level of efficiencies are we working to.
4. This paper attempts to answer all of the questions set out above

#### Background

##### **Our Published 5 Year Plan:**

5. Our strategy is underpinned by the following principles to ensure that a sustainable financial position is achieved:

- a. Continuing to strengthen and ensure strong financial control across the health economy, and sharing openly and transparently our financial positions so we can best manage our finances collectively.
  - b. Ensuring we set aside sufficient funding to support activity growth and to cover the costs of inflation.
  - c. Productivity and efficiency must deliver at least 3% per year through moving to upper quartile in performance and elimination of waste.
  - d. Consider the total resource allocation of c.£2bn across LLR and not just the use of new growth funds coming to the system.
  - e. Evolve the role of partnerships to devolve resource through 'lead provider' collaborative arrangements as agreed for 'Urgent and Emergency Care'.
6. Inflationary costs built into the planning model, as per the following table, are comparable with previous years (although not in line with the increased and high levels of inflation experienced during 23/24).

Cost	Cost weight	Estimate
Pay	68.9%	2.1%
Drugs	2.3%	0.4%
Capital	7.1%	1.3%
Headline CNST*	2.1%	0.0%
Other	19.5%	1.3%
<b>Total weighted</b>		<b>1.80%</b>

7. Growth is factored into the model according to national NHS assumptions regarding different levels of growth across different sectors based on expected demographic need E.g. 2.3% Acute, 3.1% Community, 3.2% Mental health, 6.2% CHC (incl. Inflation), 2.3% (incl. Inflation) Prescribing.
8. A small amount of funding has been set aside within the plan for investment each year which following appropriate prioritisation, will enable us to:
- a. Invest wisely into programmes that can have a positive impact on our overall financial position and give the best value to our patients;
  - b. Ensure we invest into prevention as well as treatment;
  - c. Invest the areas where we can make a longer-term impact in terms of both patient /population and financial benefits;
  - d. Support specific schemes as outlined in each of the portfolios in the Medium Term Financial Plan (MTFP), the process for prioritisation and approval will be consistently applied through a Business Case and Benefits Realisation process;
  - e. Focus service reconfiguration to enable reduced demand and reliance on acute services with more resilience in out of hospital and community based services.
9. The scale of efficiencies over the next four years covering the medium term is c. £312m, equated to a yearly CIP target of 3% - this needs to be delivered recurrently to achieve financial balance as a system by 2027/28. **All of this is predicated on the 23/24 plan being the start point for planning and therefore requires re validation.**

## 2023/24 Financial Performance:

10. As the current financial year has progressed, we have faced several challenges to the in-year financial position which has had an adverse impact on the recurrent position going into the medium-term period, of c. £100m per annum.
11. The overall year-to-date (YTD) health system financial position is a deficit of £(70.9)m which is a £(41.3)m adverse variance against plan. We had planned to deliver a £(10)m deficit in this financial year which will not be achieved.
12. The most significant drivers of financial pressure beyond our plans relate to the following:
  - a. Inflation; We have significant pressure across the full range of our costs related to inflation, this is most significant in terms of utilities and drugs costs and accounts for more than half of the pressure we are facing. Note: inflation related to pay has been much higher than anticipated but that has largely been funded.
  - b. Urgent Care Demand and ensuring appropriate capacity; we have worked hard to improve performance related to urgent care including significantly reducing ambulance handover times at UHL, though the additional service capacity and resources we have needed comes at a significant cost. This includes additional ward capacity across the system (both physical and virtual), opening of additional capacity within the emergency department for swift ambulance handover and assessment, additional costs of patient transport to support discharges, additional capacity in primary care such as extended access.
  - c. Demand increases in other services including Continuing HealthCare, prescribing, S117 shared care, and alternative hospital placements.
13. Although we have examined expenditure and considered (and implemented where appropriate) a range of actions, we are presently unable to fully mitigate the pressures we face. This is partly due to the ambitious financial plan we set at the outset; we did not hold a contingency and planned efficiency savings in excess of 5% of our budget (which we do expect to deliver in full).

## Impact on our medium term plan

14. The impact of this on our medium-term outlook is that we are likely to need to deliver **at least 5% savings per annum** in order to deliver a return to recurrent balance over the next three years. This is a significant target and greater than the NHS has historically delivered (although it is in line with the level of efficiency savings / cost mitigations we are set to achieve in 23/24 albeit not all recurrent).
15. In order to deliver this level of efficiency on a consistent basis we need to adopt the approach described in the medium-term plan (as set out in paragraphs 5 and 8 above).

## Resource Implications

16. The entirety of this report relates to NHS financial resources. It is not directly expected to impact on Local Authorities.

### **Timetable for Decisions**

17. Work is in progress to update our medium-term financial plan as part of refreshing the 5-year plan. We will use plans currently being constructed for the financial year 24/25 as the basis for this plan and it is expected to be finalised in the first half of the 2024 calendar year.

### **Background papers**

18. Our 5 year plan is published at the following link:

<https://leicesterleicestershireandrutland.icb.nhs.uk/about/leicester-leicestershire-and-rutland-five-year-plan/>

### **Circulation under the Local Issues Alert Procedure**

19. None

### **Equality Implications**

20. The overall 5-Year Plan has not been subject to an equality impact assessment given its strategic nature. Any detailed service changes set to be undertaken in the planning period will be subject to Equality Impact Assessments (EIA) as necessary.

### **Human Rights Implications**

21. There are no human rights implications arising from the recommendations in this report.

### **Other Relevant Impact Assessments**

22. *Any detailed service changes set to be undertaken in the planning period will be subject to Quality Impact Assessments (QIA) as necessary (in addition to EIA as outlined above).*

### **Appendices**

23. None

### **Officer(s) to Contact**

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