

London Borough of Waltham Forest

Report Title	Finance Overview
Meeting / Date	INEL Joint Overview and Scrutiny Committee 13 May 2025
Report author/ Contact details	Zina Etheridge, Chief Executive NHS North East London
Public access	Open
Appendices	None
Implications	None
Background information	None



North East London

Finance Overview

Meeting name: INEL JHOSC

Presenter: Zina Etheridge, Chief Executive

Date: 13 May 2025

1. NEL ICS - 24/25 Financial Summary (month 11, February)

- At month 11, the year-to-date **ICS deficit is £91.5m**, with **a variance to plan deficit of £86.1m**. This consists of providers deficit to plan of £91.5m breakeven for the ICB.
- Throughout the year the ICS has flagged a forecast deficit risk. Moving into month 11 this has been confirmed as a forecast deficit of £125m.
- Recognising NEL's system pressures, **NHSE have provided additional resource of £45m** to support providers.
- This **reduces the expected month 12 deficit to £80m** and it has been agreed with NHSE that organisations will revise their forecasts accordingly. Therefore, the forecast year-end deficit for NEL ICS is £80m (ICB to breakeven).
- The key pressures at a system level are:

Organisations	Month 11 YTD - Reported			Month 12 Revised Outturn		
	Plan £m	Actual £m	Variance £m	Unmitigated Forecast £m	Additional Resource £m	Revised Forecast £m
BHRUT	(1.8)	(25.5)	(23.8)	(53.1)	21.1	(32.0)
Barts Health	(0.4)	(16.0)	(15.6)	(17.0)	5.3	(11.7)
East London NHSFT	(0.6)	(18.0)	(17.4)	(18.5)	5.8	(12.7)
Homerton	(1.3)	(16.4)	(15.1)	(18.8)	5.9	(12.9)
NELFT	(0.8)	(15.5)	(14.8)	(17.6)	7.0	(10.6)
Total NEL Providers	(4.8)	(91.5)	(86.7)	(125.0)	45.0	(80.0)
NEL ICB	(0.6)	(0.0)	0.6	0.0	0.0	0.0
NEL System Total	(5.4)	(91.5)	(86.1)	(125.0)	45.0	(80.0)

- Efficiency and cost improvement** – the total system efficiency and cost improvement plan at month 11 is £259.8m. Of this, £227.5m has been delivered, leaving a balance against plan of £32.3m (£26.4m providers and £5.9m ICB).
- Run rate pressures** – mental health providers continue to report pressures with additional independent sector beds (ECRs) purchased above planned levels and increased acuity of patients on their wards. With acute providers, pressures remain with elective recovery activity and income, high-cost drugs and devices, critical care and renal demand costs.
- Pay costs** – providers are reporting a pay variance of £97.4m. This is mainly driven by an increase in whole time equivalents and the re-banding of a specific group of staff. Agency costs are currently forecast to remain within the cap set by NHSE.

2. 25/26 Operating Plan – resource and application of funds principles

- The ICS has a significant underlying deficit and the operating plan assumptions support financial recovery.
- The **cost uplift factor (CuF) is a gross 4.15% uplift, with a 2% efficiency requirement leaving a net 2.15% inflation increase.** This includes the employers' national insurance contributions increase and assumed pay award. NHS Providers will be funded for the 2.15% cost uplift factor.
- A number of must do's including increases in the Mental Health Investment Standard (MHIS), Better Care Fund (BCF) along with improved Referral to Treatment (RTT) performance with less funding needs to be delivered.
- No surplus funds remain once these national requirements and inflation are accounted for.
- **Trusts are required to plan for a breakeven position** and develop cost improvement plans (CIP) including service changes to meet this requirement. As a minimum, system plans must include at least the operating plan requirements for a 40% reduction in agency spend and a 15% reduction in bank staff.
- Specific funds including Physical Capacity, Virtual Wards, Discharge Funds and Service Development Funding (SDF) will be agreed in line with national guidance and local plans. Where further discretion is being given to the ICB in the use SDF funds, plans will be developed to ensure the funds are used in line with strategic priorities and financial recovery. This may include the review and cessation of some SDF funded arrangements.
- **Primary Care funds will receive growth of £13.9m a 3.26% increase.** An additional allocation of £42m has also been made by NHSE to cover specific items including core practice contracts, network contract directed enhanced service and the transfer of Additional Roles and Responsibilities Schemes funding (ARRS) to the ICB.

3. Summary 25/26 System Financial Plan

- After applying the required planning assumptions, **every Provider with the exception of the Homerton, submitted a break-even plan** for the year ahead.

Barking, Havering & Redbridge University Hospitals NHS Trust	Barts Health NHS Trust	East London NHS Foundation Trust	Homerton University Hospital NHS Foundation Trust	North East London NHS Foundation Trust	Total Providers	NEL ICB	ICS Total
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- However, the NHSE requirement is for the system to plan to break-even and as result, **the ICB has stretched its own plan to generate a sufficient surplus to allow the overall position to balance.**

Provider Plans	0.00	0.00	0.00	(2.50)	0.00	(2.50)	2.50	0.00
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Efficiencies required								
Recurrent	36.57	110.17	23.32	4.33	32.08	206.46	22.19	228.66
Non-Recurrent	24.94	57.83	8.59	20.17	11.92	123.44	15.60	139.04
Total efficiencies	61.50	168.00	31.90	24.50	44.00	329.90	37.79	367.69
Of which, unidentified efficiency	23.05	32.83	0.00	8.95	0.00	64.82	14.19	79.01

- To deliver the plan (after the additional allocations), **requires efficiencies of £367.69m** to be delivered.
- Of this, **£79.01m remains unidentified** and a risk to plan delivery. Further risks identified by Providers potentially adds £208m to the position.