

Report to STP Board: 22 January 2019

Agenda item:	2.3		
Title:	Financial Plan		
Lead:	Paul Scott, Chair, Financial Performance and Planning Group, Cambridgeshire and Peterborough Sustainability & Transformation Partnership		
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Report purpose <i>(Please mark one in bold)</i>			
APPROVAL	DECISION	ASSURE	INFORM
Link to STP Priorities <i>(Please mark all applicable in bold)</i>			
AT HOME IS BEST	SAFE & EFFECTIVE HOSPITAL CARE, WHEN NEEDED	WE'RE ONLY SUSTAINABLE TOGETHER	SUPPORTED DELIVERY
Committees/groups where this has been presented to before <i>(including date)</i>			
None			

Purpose of the paper

As previously reported to the Sustainability and Transformation Partnership (STP) Board, the Cambridgeshire and Peterborough System faces significant financial challenges and consequently we have been developing plans focused upon living within our means, allowing us to manage the System's finances more effectively within an increasingly challenging environment.

The purpose of this paper is to update the STP Board regarding:

1. 2018/19 System finances
2. Short-Term Financial Plan 2019/20
 - a. Short Term Financial Planning Timetable
 - b. 2019/20 Short-Term Financial Plan
3. Living Within our Budget
4. Medium-Term Financial Plan
5. Capital Investment

The STP Board is invited to:

The STP Board is asked to note this report.

1. INTRODUCTION

The Cambridgeshire and Peterborough health and care system is financially challenged. The System budget is an amalgamation of our NHS partners who each remain accountable to their Board and regulators for delivering their own individual budgets. The System ended the 2017/18 financial year with a £94.9m overspend, whilst delivering organisational efficiency savings of £114.7m. This report updates the Board in relation to in year performance, 2019/20 short-term financial plan and identified risks, progress of medium-term financial plan and capital investment.

2. BODY OF REPORT

2018/19 System Finances

Acknowledging that the level of deficit we are running is not sustainable, NHS partners in Cambridgeshire and Peterborough worked with our regulators to set a challenging, financial target for 2018/19. The collective financial plan for 2018/19 is a deficit of £133m (a reduction of £1m from £134m previously due to a formal change in Cambridgeshire and Peterborough NHS Foundation Trust's plan). This assumes delivery against control totals, where agreed by System partners, which will attract Sustainability transformation funding (STF) of £56m. If financial performance does not deliver against the control totals, then STF will be forfeited.

At month 8 the System is worse than plan by £7.3m year to date (on a control total basis inclusive of STF), reflecting cost pressures that have crystallised during the year across multiple system partners. These pressures present an emerging risk to delivery of the 2018/19 plan and in turn receipt of STF which is contingent on organisations meeting their respective control totals on a quarterly basis. In line with protocol, NHS provider and commissioner organisations have the opportunity to reforecast on a quarterly basis, in this instance at month 9, at which point the likely impact on 2018/19 financial performance will be recognised.

Table 1: Financial performance at 30 November and forecast year end

Financial performance - Forecast Outturn as at 30 November 2018	Year to Date			Forecast Outturn			Control Total/STF	
	Plan £m	Actual £m	Variance £m	Plan £m	Actual £m	Variance £m	Control Total £m	STF (PSF/CSF) £m
Cambridgeshire Community Services NHS Trust	1.4	1.4	(0.0)	2.1	2.1	-	2.1	1.5
Cambridgeshire and Peterborough NHS FT	1.9	(0.3)	(2.2)	3.2	3.2	-	3.2	2.5
Cambridge University Hospitals NHS FT	(60.1)	(60.1)	0.0	(93.8)	(93.8)	-	-	-
North West Anglia NHS FT	(24.4)	(32.9)	(8.5)	(28.8)	(29.1)	(0.3)	(29.3)	16.9
Royal Papworth Hospital NHS FT	(11.1)	(6.9)	4.3	(15.8)	(11.5)	4.3	-	-
CCG	-	(0.9)	(0.9)	-	-	-	-	35.1
Total	(92.4)	(99.7)	(7.3)	(133.1)	(129.1)	4.0	(24.0)	56.0

STF is split between Provider Sustainability Funding (PSF) and Commissioner Sustainability Funding (CSF)

System partners have been developing in-year mitigations to maximise the opportunity of delivering against the financial plan which include:

- Additional organisational specific recurrent or non-recurrent in year cost improvement programmes (CIP); and
- Additional initiatives in collaboration with System partners.

Short-Term Financial Plan 2019/20

Short-Term Financial Planning Timetable

We are required to submit to regulators individual organisation draft operating plans by 12 February 2019 and a draft aggregate and aligned System operating plan and narrative by 19 February 2019. Final individual organisation operating plans and aggregate System operating plans and narrative are due for submission to regulators by 4 April 2019 and 11 April 2019 respectively.

These submissions are preceded by a forecast activity plan from Commissioners and providers on 14 January 2019. The Commissioners and System providers are working together to ensure that forecast activity is agreed and aligned. This year, the STP will provide an assurance statement for these submissions in relation to the process of alignment. These activity plans will underpin the draft operating plans.

2019/20 Short-Term Financial Plan

We are developing a 2019/20 short-term financial plan for the System which builds upon 2018/19 plan and uses aligned assumptions in relation to increasing demand, price increases due to inflation and changes in how much we are paid to deliver care (as set out in the National Tariff) and internal efficiency savings.

The final 2019/20 short-term financial plan will also include an estimate of the financial impact of delivery of System initiatives, which have been summarised with relevant Executive leads in the table below.

Table 2: System initiatives

System initiative	Executive Lead
Delayed transfers of care	Jan Thomas
Joined-up commissioning	Louis Kamfer (CFO, Cambridgeshire and Peterborough CCG)
Best use of hospital capacity <ul style="list-style-type: none"> Hinchingbrooke Ward closure mitigation Royal Papworth/ CUH collaboration 	Caroline Walker Paul Scott Stephen Posey and Sam Higginson
Tactical reductions for acute care ¹ <ul style="list-style-type: none"> Reactive care outside hospitals Other admissions and referral avoidance initiatives 	Jan Thomas Jan Thomas, with the A&E Delivery Board/ North & South Provider Alliance Chairs (exact split tbc)

We have been working to develop outline business cases for System initiatives and have estimates of indicative financial benefits arising, although these have yet to be assured and formally agreed for inclusion within the 2019/20 short-term financial plan. This work is on-going and expected to be completed ahead of Financial Planning and Performance Group (FPPG)

¹ As we have recognised that Integrated Neighbourhoods are only able to provide medium to longer term benefits for our System, beyond 2019/20, we are exploring tactical reductions in demand for acute care. This may include increased use of ambulatory care, better alignment of urgent care provision and other actions to support reductions in referrals.

on 30 January 2019. Updates will be provided by the Executive leads for each of these workstreams on their progress.

Whilst the short-term financial plan is based upon System agreed assumptions which include demand, cost inflation and tariff movement. At the time of writing, we are still waiting for the notification of financial control totals and are working to digest and understand the recent publication of national planning assumptions from regulators to enable us to update the short-term forecast to reflect any changes necessary.

In summary, we have a 2019/20 short-term financial plan which is subject to the following risks:

- Delivery of 2018/19 financial plan (impacting 2019/20);
- Underlying assumptions in relation to growth in numbers of patients we will need to treat, price increases due to inflation and changes in how much we are paid to deliver care subject to change with national planning guidance due to be published by end of January; and
- Uncertainty over financial value of delivery of System initiatives.

Living Within our Budget

The STP has continued to engage with regulators and has explored the use of analytical tools to support the System to identify further opportunities for development and achieve transformation that will bring it into financial balance. This work is on-going. A portfolio of more challenging options which may be implemented to deliver further financial benefit has been developed and will be further progressed. The nature of these options will include operational and structural changes and cover the whole system. Some examples of these include:

- Rescheduling of loans at lower interest rates;
- Stock review and reduction of volumes of less used consumables; and
- Review and cessation of on-going non-essential projects.

Medium-Term Financial Plan

Building upon 2019/20 short-term financial plan which indicates a year where the System holds its financial position, a medium-term financial plan continues to be developed which covers a longer period from 2019/20 - 2023/24 and will allow us to understand the impact of longer-term delivery of initiatives, redesign of the way in which we deliver services and the financial impact of capital investment.

Capital Investment

In December 2018, the Secretary of State for Health and Social Care, Matt Hancock, announced a capital investment of £145 million for health and care facilities in Cambridgeshire and Peterborough, part of a national allocation of nearly £1 billion, representing 14% of the total national funding for 1% of the population. The funding includes:

- £25m for Hinchingsbrooke Hospital (prioritising patient safety);
- £19m for Addenbrookes Hospital to improve facilities and services (matching capacity and demand); and
- £100m of capital to build a pioneering children's hospital for the East of England (building world class facilities).

Further work is now under way to ensure that detailed and robust delivery plans for capital investment are in place. Securing the money is a vote of confidence in the ability of partners to work together for the whole system. This investment is supplemented by £5.9m of funding allocated to the System to support provider digitisation over the next three years (further detail in the Digital - STP Board report).

The financial impact of the capital bids has not yet been included in the 2019/20 short-term financial forecast.

3. RECOMMENDATIONS

The STP Board is asked to note this report.

14 January 2019