

Report to STP Board: 20 May 2019

Agenda item:	2.1		
Title:	Financial Planning and Financial Performance		
Lead:	Paul Scott, Chair, Financial Planning & Performance Group		
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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>)			
N/A			

Purpose of the paper

This paper provides an update on the System's 2018/19 financial performance and the System plans for 2019/20.

The STP Board is invited to:

The Sustainability and Transformation Partnership (STP) Board is asked to note the 2018/19 closedown position and progress on the System plans for 2019/20 and future years.

Members of the public are advised to consult our *NHS Glossary of Terms* when reading this paper. This can be found on our website on the STP Board papers page [here](#).

1. INTRODUCTION / BACKGROUND

The Cambridgeshire and Peterborough health and care system are financially challenged – since 2015/16 our System historical financial outturns have been a deficit of at least £100m. The System financial position is an amalgamation of our NHS partners who each remain accountable to their Boards and regulators for delivering their own individual financial positions.

This report updates the Board in relation to 2018/19 financial outturn and 2019/20 planning.

2. BODY OF REPORT

2018/19 System finances

The System outturn for 2018/19 was a collective overspend of £200.0m, which, after receipt of £52.1m of Provider/Commissioner Sustainability Funding, results in a final System outturn of £147.9m overspend. This is adverse to plan by £12.8m (on a control total basis inclusive of Provider Sustainability Funding), reflecting cost pressures that have crystallised during the year:

- North West Anglia Foundation Trust (NWAFT) being adverse to plan by £20.3m due to achieving lower CIP than planned, with premium staffing costs a significant challenge within the year. The Trust reforecast in month 9 to reflect this, forfeiting PSF for £11.9m Q3 and Q4; and
- RPH are favourable against plan by £6.5m.

Table 1: Financial performance at 31 March 2019 and forecast year end

	Outturn including STF			Outturn Excluding STF/PSF/CSF			Control Total STF/PSF/CSF			
	Plan	Outturn	Variance	Plan	Outturn	Variance	Control Set	Total	Plan	Actual
	18/19	18/19	18/19	18/19	18/19	18/19	18/19	18/19	18/19	18/19
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
CCS	2.1	2.1	(0.0)	0.6	0.6	(0.0)	2.1	2.1	1.5	1.5
CPFT	3.2	4.1	0.9	0.6	0.4	(0.3)	3.2	3.2	2.5	3.7
CUHFT	(94.3)	(94.2)	0.1	(94.3)	(94.2)	0.1	(65.1)	(65.1)	0.0	0.0
NWAFT	(29.3)	(49.7)	(20.3)	(46.5)	(61.5)	(14.9)	(29.3)	(29.3)	17.2	11.8
RPHFT	(16.8)	(10.2)	6.5	(16.8)	(10.2)	6.5	6.5	7.6	0.0	0.0
CCG	0.0	0.0	0.0	(35.1)	(35.1)	0.0	0.0	0.0	35.1	35.1
TOTAL	(135.1)	(147.9)	(12.8)	(191.4)	(200.0)	(8.6)	(81.5)	(81.5)	56.4	52.1

NOTE: System Transformation Funding (STF) is split between Provider Sustainability Fund (PSF) and Commissioner Sustainability Funding (CSF). Values in the table above are before adjustments (bottom line basis i.e., pre-adjustments). CUH & RPH did not accept their Control Totals in 2018/19.

The underlying exit position for 2018/19 going into 2019/20 was £212m.

Overall System position

Over the past few months, System partners have been developing their financial plans for 2019/20, with a System Control Total set of £142m overspend. This will be very financially challenging given local cost pressures and a CCG allocation that is lower than anticipated.

As the focus of the System has moved to 2019/20 planning and delivery of control totals, System partners have been working with regional colleagues to improve their financial positions. The System control total for 19/20 would represent a £60m improvement from

2018/19 outturn, and more than £70m improvement against our underlying position. The key reasons for this gap are:

- The CCG – faces a lower than expected allocation, increased distance from target – meaning that after accounting for national cost pressures, including tariff uplifts and ‘must do’s’, there is no funding available for system activity growth;
- NWAFT – faces a control total that does not reflect the movement in their out-turn in 2018/19; and
- CUH – faces specific cost pressures including e-hospital, Procurement Towers (which are also impacting on other System partners).

As a result, our February forecast plan was an overspend of £237m, which we reduced to £212m in April. Since then, we have been further refining our plans, which may result in us needing to engage with stakeholders regarding making difficult choices. We have tried to balance the need for financial savings, alongside quality, safety and access, as well as any impact on medium term sustainability.

Our latest plan is an overspend of £192.4m; this is still £50m away from the System control total but will, subject to the agreement of our regulators, enable us to access a substantial sum of £80.6m of Provider/Commissioner Sustainability Funding (PSF/CSF) available to this System for those organisations achieving their respective Control Total:

Organisation	April plan (£m)	May plan (£m)	Control Total (£m)	PSF/CSF accessed (£m)
Cambridge University Hospital NHS Foundation Trust	(84.5)	(66.1)	(66.1)	33.0
North West Anglia NHS Foundation Trust*	(54.5)	(45.3)	(45.3)	29.6
Royal Papworth Hospital NHS Foundation Trust	(15.5)	(15.5)	(15.5)	15.5
Cambridgeshire and Peterborough NHS Foundation Trust	(4.4)	(0.7)	(0.7)	1.7
Cambridgeshire Community Services NHS Trust	0.2	0.2	0.2	0.8
Total Provider	(158.7)	(127.4)	(127.4)	80.6
Cambridgeshire and Peterborough Clinical Commissioning Group*	(53.2)	(65.0)	(15.0)	tbc
Total	(211.9)	(192.4)	(142.4)	80.6

*Revised plans are contingent upon confirmation from NHSI/NHSE of Control Total adjustments.

The plan comprises:

- Provider-led CIPs – the plans contain ambitions to take real cost out, of c4%, reflecting GIRFT and Carter / Model Hospital. These build on high levels of historic CIPs around 5%, consistently above the national average. A major component of our CIP plans is the reduction in premium staffing costs;
- CCG-led QIPP – our plans, reflecting insight drawn from RightCare analysis among other sources. While we are planning acute demand management, this is in the context of activity levels per capita already being in line with the national England rate, comparatively low allocation per capita, and restrictions on access to procedures of limited clinical effectiveness already in place; and

- STP-led interventions – collectively we are focussing on three areas for financial impact this year: reductions in DTOC at both NWAFT and CUH, workforce and creating a single cardiology service across CUH and RPH. We are also continuing to oversee workstreams that address A&E performance in the near term and make our health and care system more sustainable over the medium term, reducing unwarranted variation and further reducing acute demand.

Not all schemes required to deliver these plans are identified or fully scoped, and therefore have not yet been subject to a full quality impact assessment – so the consequences are not yet fully understood. Further, due to the interaction between different Partner plans, System partners are agreeing a Memorandum of Understanding that will provide a supporting framework for how the System plan will be delivered.

2019/20 System partner positions

All organisations have built their plans up with inclusive decision making within their organisations and Boards/Governing Bodies with substantial review and challenge throughout the process from NHSI/E. As a result, all partners have stretching efficiency plans:

- NWAFT have included £16.2m (3.3%) of CIP within plans, with a focus on reducing premium staffing costs, Facilities Management renegotiation and price savings in pharmacy;
- CUH have included £40.0m (4.3%) of CIP within plans, with a focus on procurement, workforce and pathology;
- RPH have included £5.1m (3.1%) of CIP within plans, with a focus on agency, procurement and estates & facilities reconfiguration;
- CPFT have included £6.2m (2.9%) of CIP within plans, with a focus on productivity, Estates and procurement;
- CCS have included £1.8m (3.0%) of CIP within plans, with a focus on optimising existing service models, reducing agency and reducing support function costs; and
- C&P CCG has included £32.7m (2.6%) of activity and cost reduction, to be identified through commissioning opportunities.

Risks

As a System, there are significant risks to delivery:

- Uncertainty regarding capital and our growing estates backlog;
- Major IT transitions;
- DTOC delivery;
- Extending waiting lists – and not meeting constitutional standards as a result;
- Reductions to existing services, potentially displacing activity;
- CIP delivery – not all CIPs are yet identified;
- Removal of all contingency; and
- Recruitment and retention.

These risks may lead to the need to revise the performance trajectories once all the savings have been identified and a full impact assessment has been completed.

Regulatory support

In addition to finance-led work to finalise plans, members of HCE and the STP Board have been engaged in active dialogue with the joint NHSE / I East of England team. NHSE / I are keen to support more regional level working and so STP leads from each STP within the Eastern region have met to discuss how the region can work together for more sustainable plans in the future. Each STP has agreed to lead a workstream to achieve this:

- Standardisation of pathways where can we learn and lift from each other, or outside the region, to make quick gains on efficiency (in provision or commissioning) – *Herts and West Essex*
- Speaking up for the region how to develop and maximise our narrative and speak strongly together – *BLMK*
- Children's Hospital how to maximise the opportunity of a real regional resource – *Cambridgeshire and Peterborough*
- Hot Housing ideas for short term financial gains across the patch – *Mid and South Essex*
- Digital developing the longer-term regional narrative to progress from worst in country to most improved – *Norfolk and Waveney*
- Clinical engagement recognising the vital imperative to ensure real clinical engagement in change and transformation – *Suffolk and NE Essex*

In addition to working with colleagues in other Systems in our region, to deliver in 2019/20, HCE have also developed a draft 'support ask' of regional and national colleagues. Our current ask includes:

- **A&E performance** – bringing in external expertise to support all three sites to ensure patient flow is being optimised and support us to address our workforce challenges;
- **On the ground delivery skills** – additional resource or capability building to support our teams in delivery;
- **Workforce** – best practice from other areas on workforce planning, reducing premium staffing costs, and recruitment – we also have some ideas for how to increase the flexibility with which staff are shared across the System, which may need some support to implement;
- **Capital and cash** – clarity on the release of capital and cash to System partners, to avoid immediate safety concerns overtaking us;
- **Medium-term financial plan** – assurance, externally or from other System's in our region, to 'kite mark' it as robust;
- **Organisational development** – more investment of time and/or money to buy the facilitation and backfill to allow large-scale change of our culture and address long-standing habits that do not support transformation and partnership working; and
- **Commissioning in a new world of ICS** – examples of how other Systems are approaching the evolution of commissioning arrangements, across the CCG and the Councils, to transition to an ICS.

Medium-term financial balance

Over the last nine months, our approach has been, first, to understand the drivers of our system deficit and, second, to agree and deliver against a clear set of priorities and plans. These plans have been built with renewed engagement, support and leadership from our local councils and primary care. They have been designed to address the root cause of our challenges in line with the direction set out in the NHS Long Term Plan.

Our 2019/20 plans will be the starting point of our medium-term financial plan. Over the summer, these will be developed into a five-year financial plan to ensure that we are working towards a more sustainable financial position in the medium term.

3. RECOMMENDATIONS

The STP Board is asked to note the 2018/19 closedown position and progress on the System plans for 2019/20 and future years.

15 May 2019