

Report to STP Board: 18 July 2019

Agenda item:	2.3		
Title:	Financial Performance and Planning		
Lead:	Paul Scott, Financial Performance and Planning Group (FPPG) Chair		
Author:	Simon Rudkins, Head of Strategic Finance, System Delivery Unit (SDU)		
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 and 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>			

Purpose of the paper

The purpose of this paper is to update the Sustainability and Transformation Partnership (STP) Board on progress in respect of:

- 2019/20 financial performance;
- LTP Framework financial implications;
- Capital planning; and
- Estates Strategy 'Light touch' checkpoint.

The STP Board is invited to:

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1. INTRODUCTION / BACKGROUND

The overall System budget is an amalgamation of our NHS partners who each remain accountable to their Board and regulators for delivering their own individual budgets.

Over the past few months the System has worked closely with regulators to agree a System plan of £112m overspend. This is very financially challenging given local cost pressures and a CCG allocation that is lower than anticipated.

2. BODY OF REPORT

2019/20 System finances

The System position as at Month 2 is shown in the table below:

Financial Performance as at 31 May 2019

	YTD actual FOT Excluding			FOT Excluding			FOT Including			Control Total		
	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET	STF/FRF/MRET
	Plan	Actual	Var	Plan	Forecast	Var	Plan	Forecast	Var	Total	STF*	STF*
	£m	£m	£m	19/20	outturn	£m	19/20	outturn	£m	Set inc	Plan	Forecast
				£m	£m		£m	£m		£m	£m	£m
CCS	(0.0)	(0.0)	(0.0)	1.0	1.0	0.0	0.2	0.2	0.0	0.3	(0.8)	(0.8)
CPFT	(0.2)	(0.5)	(0.3)	1.1	1.1	0.0	(0.7)	(0.7)	0.0	(0.9)	(1.7)	(1.7)
CUH	(5.3)	(4.9)	0.4	(33.1)	(33.0)	0.1	(66.1)	(66.0)	0.1	(66.1)	(33.0)	(33.0)
NWAFT	(4.6)	(4.5)	0.1	(5.7)	(5.6)	0.1	(35.3)	(35.2)	0.1	(35.3)	(29.6)	(29.6)
RPH	(1.8)	(1.5)	0.3	0.0	0.0	0.0	(15.5)	(15.5)	0.0	(15.5)	(15.5)	(15.5)
CCG	(12.5)	(12.9)	(0.4)	(75.0)	(75.0)	0.0	(75.0)	(75.0)	0.0	(25.0)	0.0	0.0
TOTAL	(24.5)	(24.3)	0.2	(111.7)	(111.6)	0.2	(192.4)	(192.2)	0.2	(142.5)	(80.6)	(80.6)

*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).

The System plan is a overspend of £192m; this is still £50m away from the System Control Total of £142m overspend but will enable us to access a substantial sum of £81m of Provider/Commissioner Sustainability Funding (PSF/CSF) available to this System for those organisations achieving their respective Control Totals.

There is a requirement for all NHS Regions to balance the overall Regional position. East Region is £50m away from Control Total as a consequence of the Cambridgeshire and Peterborough System position. This is managed by our Regional regulators.

Whilst five organisations within the System are able to sign up to Control Total, this remains a high risk plan and collectively and individually, organisations are being required to manage a number of challenges, and difficult decisions remain; for example, we are reviewing all non-acute services that we commission which, when completed, will have the impact of increasing commissioning efficiency between our CCG and councils, through reducing duplication/over-lap of service provision, thereby increasing value for money.

LTP Framework financial implications

Guidance for Systems on the implementation and requirement of the LTP has been issued. A full implementation plan and timeline is being put together separately, which will set out the more specific requirements in terms of activity, workforce and finance; we are using the base assumptions in our financial modelling but, from a financial perspective, there are clear implications linked to our development of a three and five-year trajectory for the System.

We have been advised by our Regional Team that the System must achieve the System Control total of £142m overspend in 20/21 (before non-recurrent funding), an improvement of £50m from the £192m plan in 2019/20, together with a 'balanced' System position by 2022/23; to achieve this will likely require drastic action including the likelihood of significant impacts to service delivery over that period and beyond. We will seek to resolve as part of our 3yr and 5yr System model and agree a final stretching but deliverable trajectory as discussions progress.

The LTP guidance contains headline information regarding access to 'fair shares' funding for a range of programmes and further 'targeted' programme funding, for which we will be able to bid. As a System, we will need to consider which of the programmes we wish to target.

We are currently refreshing our System analysis of the Drivers of our Deficit which, together with our three and five-year System modelling, will inform the response to the LTP for our System. We propose to present updated analysis to our Activity & Technical Finance Working Group on 31 July and FPPG on 14 August.

Following dialogue between STP System leaders and our Regulator colleagues, we are procuring external support that will provide assurance to our System financial plans; these will be finalised during Q2.

As part of our response to the Long Term Plan we have to submit supporting technical material; this will set out a triangulated plan for finance, workforce and activity, in aggregate. The approach to developing the finance plan will be:

- A base case will be produced to include assumptions around growth, internal efficiency and cost pressures;
- Individual organisations will produce individual three to five-year plans and these will be aggregated at a System level to identify further solutions;
- Existing System priorities will be quantified by the group(s) leading on their implementation, FPPG will support the costing of savings and investments and assurance of these values;
- System groups review the requirements of the Long Term Plan, identifying any further solutions to be included in the medium term; and
- The base case and solutions will be aggregated to give a draft System plan, for assurance and strengthening with our external partners, and in conversations with our regulators.

Capital Planning

Nationally, there is significant pressure on capital with current trust plans for 2019/20 exceeding the capital available. To address the shortfall, all Systems have been asked to undertake a prioritisation process, with the steer that the focus should be on 'least harm' from an in-year safety and quality perspective as opposed to strategic investment.

To achieve the ask NHS partners have categorised their capital plans into the following categories:

- Priority 1 – Spent or Contractually committed;
- Priority 2 – Patient and public safety;
- Priority 3 – Maintaining service quality; and
- Priority 4 – Strategic.

Each STP has been allocated a Control Total on a CDEL basis, the Cambridgeshire and Peterborough Control Total is £64m. As a System, we can demonstrate a significant reduction in gross expenditure from the April 04 submission in line with the national ask (c20%) without increasing risk; we remain in dialogue with Regional and National colleagues regarding some technical aspects of the System Capital plan.

Estates

The System was asked to complete a 'light touch' Estates Strategy checkpoint that provides updates since the Estates Strategy submitted in July 2018. The checkpoint focused on areas that were either locally or nationally weak in the last submission and included sections on:

- Addressing feedback received from the last submission;
- Updates on Primary Care Estate;
- Links to service strategies;
- Disposals pipeline;
- Estates efficiencies; and
- Delivery of STP capital projects.

Weekly meetings took place with System Estates members to shape the checkpoint and the accompanying narrative. This narrative addressed the above areas and provided an update on the progress made through the System Estates work, including an update on closer working between planning and health authorities, production of local plans on pages and supporting major developments. A final draft was shared with the Estates group, FPPG and the North and South Alliances for comment on 4 July and the submission was signed off by the Chair of FPPG and submitted on 15 July 2019.

3. RECOMMENDATIONS

The STP Board is asked to **note** the contents of this report, in particular:

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- Capital Planning; and
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July 2019