Report to:	**East Sussex Better Together (ESBT) Strategic Commissioning Board**
Date of report:	**20 December 2017**
By:	**Director of Adult Social Care, East Sussex County Council** **Chief Officer, Eastbourne Hailsham & Seaford and Hastings & Rother Clinical Commissioning Groups**
Title:	**East Sussex Better Together Financial Position and Progress with the Strategic Investment Plan**
Purpose:	**To provide the ESBT Strategic Commissioning Board with an update on the East Sussex Better Together financial position**

RECOMMENDATIONS

The ESBT Strategic Commissioning Board is recommended to:

1) **note the East Sussex Better Together (ESBT) system financial position and scale of forecast outturn variance;**
2) **note that we are working closely with our NHS regulators, NHS England (NHSE) and NHS Improvement (NHSI) to ensure there is complete transparency and understanding of the position and mitigating plans in the remaining months of 2017/18 and into 2018/19; and**
3) **endorse the recovery actions being developed and implemented collaboratively through the ESBT structures, including the financial planning framework for 2018/19.**

Background

1.1 The report updates the Strategic Commissioning Board on the challenging financial position affecting the East Sussex Better Together (ESBT) area in the context of the pressures on the NHS and social care nationally. Whilst we can demonstrate sustained improvements in quality and managing demand, there is a potential £80m risk within our overall resource envelope of approximately £1bn, and the report outlines our shared action to reduce this risk.

1.2 The key messages this report highlights are as follows:

- Operating in a challenged economy, ESBT targeted a demand shift, recognising that we could not simply reduce hospital costs. ESBT can demonstrate that it has successfully bent the demand curve since 2013/14.
- System performance is improving for key national standards, including Referral to Treatment Time (RTT), Accident and Emergency (A&E) and Delayed Transfers of Care

(DTOC), and challenges remain in respect of cancer standards and the 62 day target. There is more to be done to deliver this consistently and sustainably.

- The shared financial challenge is significant. Both East Sussex Healthcare Trust (ESHT) and the Clinical Commissioning Groups (CCGs) are seeing cost pressures and are forecasting that they will not meet their financial plans. In May 2017 the financial risk was estimated at a worst case £83m. The combined system financial risk is now crystallising at this upper level, at around £80m (£70m after mitigation).
- We have a good shared understanding of the issues and have developed a shared financial recovery plan to mitigate this risk. The evidence indicates the ESBT strategy to shift demand is the right one. We know we need to go faster and deeper if we are to achieve system financial sustainability by the original planned date of **2020/21**.
- The governance arrangements for ESBT are embedded and starting to work well – all system partners are aligned and focusing on delivering our priorities for 2017/18. We already report the finances on an integrated basis monthly, and review the whole system financial position.
- Our focus is on our whole system to deliver our financial recovery plan over the remaining months of the financial year in order to start **2018/19** with a trajectory towards plan.
- The ESBT Alliance is developing our financial plans as if we are a single organisation – the scale of challenge is such that we need to be unwavering in our focus on system recovery.
- We are working closely with our regulators, NHS England (NHSE) and NHS Improvement (NHSI) to ensure there is complete transparency and understanding of the position and mitigating plans in the remaining months of 2017/18 and into 2018/19.

2. Supporting Information

2.1. (ESBT is the whole system health and care transformation programme, which was formally launched in August 2014, to fully integrate health and social care across the ESBT footprint in order to deliver high quality and sustainable services to the local population. Originally formed as a partnership between Eastbourne, Hailsham & Seaford (EHS) CCG, Hastings and Rother (H&R) CCG and East Sussex County Council, the Programme now formally including ESHT and Sussex Partnership NHS Foundation Trust (SPFT), and a formal Alliance has been established. Our shared vision is to ensure that people receive proactive, joined up care, supporting them to live as independently as possible and achieve the best possible outcomes.

2.2. The partnership has moved to the next phase of the work to fully integrate and embed into core business the commissioning and delivery of health and social care. The Council and CCGs have aligned the respective budgets for Adult Social Care, Public Health, relevant parts of Children's Services with those for Clinical Commissioning, as part of the transition to the ESBT accountable care model which is intended to take a whole-systems approach to the planning and delivery of health and social care across the ESBT area. The aligned budgets have been drawn together into a Strategic Investment Plan (SIP) which was presented in summary form for 2017/18 at a previous meeting of the

Strategic Commissioning Board. The SIP is a medium term plan covering the period to 2020/21.

2.3. As a reminder, the scale of budgets within the control of Alliance Partners is c£1 billion. This is illustrated pictorially at Appendix 1.

Finance and Activity Monitoring - Update

2.4. The last meeting of the Board received the Month 4 monitoring position for ESBT, which was a significant adverse variation. The latest outturn and ESBT Alliance risk forecast shows that there has been no change in the underlying position, and, for 2017/18 there is a total risk to system control totals before mitigation of £80.3m (NHS £79.8m; LA £0.5m).

2.5. The main reasons for this risk figure are planned savings not achieved (across all partner organisations) of £37.4m and consequential loss of Sustainability and Transformation Funding (STF) of £8.9m, together with additional costs from a commissioner perspective of activity growth of £3.3m, acute price growth of £12.5m, agreed additional winter pressures costs of £2m, resolution of system finance issues from 16/17 £4.6m and 17/18 system pressures of £7.6m, and other net system costs pressures of £3.8m.

2.6. Month 7 activity data shows consistently improving performance across a range of Strategic Investment Programme (SIP) projects, including:

- **Crisis Response:** referrals and activity has been in-line with projected levels for three consecutive months. Referrals from outside hospital have also improved, helping to support patients in their own residence and avoiding unnecessary conveyance to hospital
- **Hospital Intervention Team (HIT):** this is now consistently assessing and supporting twice the number of patients that had been the case at the beginning of the year
- **Falls and Fracture Liaison services:** over the last two months there has been a significant increase in the number of falls assessments and exercise classes undertaken. This represents a fourfold increase in activity compared with April 2017.

2.7. Whilst this indicates some considerable progress in the delivery of individual interventions, the total number of people attending A&E and being admitted as emergencies continues to be higher than planned levels.

2.8. However, for the over 65 age group, where most of the above interventions are directed, it is evident there has been a significant positive rise in the number of people admitted for ambulatory care or assessment wards who have subsequently been discharged on the same day. In direct comparison with the same period in 2016/17, the number of patients over 65 years of with a zero length of stay (LOS) has increased by 12% and those with a 1 day LOS by 2%. Overall the average LOS of emergency patients over 65 years of age has reduced from 9.5 days to 8.1 days, a reduction of 15%. The positive impact of our ESBT initiatives therefore continues to be evidenced

2.9. The explanation for this shift is it supports a quality improvement whereby patients have been admitted to be fully assessed rather than remain in A&E on a trolley. It also represents our increased ability and capacity within the community to support patients in their own residence and reduce the need to remain in hospital. However, it is evident that this is resulting in a net financial issue to the CCG under traditional Payment by Results arrangements.

2.10. The ESBT position is very challenging and the level of risk is significant, requiring focused recovery plans. The position should however be viewed in the context of:

- the successful track record of ESBT since its inception in 2013/14 in bending the demand curve; and
- the extent of financial challenge evident in other health systems, both locally and nationally.

Financial Recovery Plan (FRP)

2.11. In the context of this very challenging financial position, discussions have taken place with the system regulators, NHSE and NHSI, in a series of joint meetings. A system Financial Recovery Plan (FRP) has been formulated.

2.12. Included within the recovery plan are a set of joint actions where we will work together to achieve cost reductions across specified budget lines primarily within ESHT and also the CCGs. This is part of the commitment to a single approach to system recovery, which also includes local agreement between the CCGs and ESHT to suspend Payment by Results (PbR) as a financial regime for 2017/18 and adopt an Aligned Incentive Contract which sets a fixed payment for the CCGs' commissioning of acute and community services from ESHT. Adopting a fixed payment, subject only to changes which are outwith the control of ESBT system partners (i.e. decisions by NHSE / NHSI, major catastrophic incidents) is intended to provide financial certainty to the system, enable ESHT to consolidate its quality improvements, and avoid distraction from the core task of financial recovery.

2.13. The change in financial regime is subject to approval by regulators and subject to a clear understanding with NHSE/I about the regulatory approach to organisational financial special measures. At this point neither NHSE or NHSI have approved the proposed Aligned Incentive Contract and are requiring further analysis to be provided, including an expected forecast outturn (FOT) position based on Payment by Results (PbR), an agreed contract value and details around community investment included within the year to date position and forecast. The deterioration in the system financial position is considered by the regulators to be one of the most significant in the South East.

2.14. All options for CCG in-year spending reductions have been reviewed, but the scope for further reduction is limited because of the following context:

- ESHT position under significant pressure but forecast outturn deficit shows year-on-year improvement;
- Risk of jeopardising system performance improvements for key national standards, including RTT, A&E and DTOC;
- Primary care is fragile;

- Social care is holding up this year but will come under renewed financial pressure in **2018/19**; and
- Mental health requires further investment.

2.15. Therefore the system strategy must be to continue to:

- reduce the cost of provision wherever safe and appropriate.
- ensure that we maximise the benefits of existing initiatives that bend the demand curve further.
- implement locality plans to accelerate the redesign of care pathways.

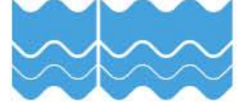
2.16. A realistic target for in-year financial recovery has been set at £9.8m. Within the £9.8m figure, joint system actions listed are targeted to achieve net savings of £5.3m. The Alliance Executive has made a commitment to its achievement across all parties, with shared responsibility covering joint governance, joint resourcing and transparent benefits tracking. This is supported by a formal letter from the Director of Finance of ESHT to the Chief Officer of the CCGs.

2.17. In addition to the four principle schemes (focusing on supporting urgent care needs; efficiency of elective care; working across the STP footprint to ensure provision of most clinically effective treatments; and support direct access diagnostics) which may only deliver full financial benefit in **2018/19**, we will also review all uncommitted budget spend and undertake a peer review of all budgets across the partner organisations to identify further deliverable opportunities.

2.18. In order to consolidate the approach, we have agreed a framework for system planning for **2018/19** that enshrines the following principles and agreements:

- The ESBT Integrated Finance and Investment Plan (IFIP) is an integral part of the financial planning and budget-setting of all four organisations, so that there will be complete alignment between it and the individual budgets.
- The IFIP planning process is informed by the budget parameters of individual organisations (to ensure affordability). All elements of the IFIP will engage clinical, operational and commissioning colleagues so that planned actions have shared ownership. The IFIP as a process must therefore have the confidence of each Alliance partner and of regulators.
- The IFIP will be supported by a financial framework, an approvals process, a set of operating rules for application of the Plan into individual organisations and by effective PMO reporting with clear accountability for delivery of each scheme assigned to a lead officer.
- The IFIP will form a platform for the whole-system Whole Population Budget to be put in place for the Accountable Care Organisation (ACO) in **2020/21**.

2.19. The **2018/19 planning** framework is represented pictorially below.



ESBT ALLIANCE INTEGRATED FINANCE AND INVESTMENT PLAN		
Purpose: To set affordability envelope and allocate planning targets to sub-plans; to ensure alignment back to individual organisational plans		
Co-ordinated and controlled by ESBT Finance Group; decisions made via Alliance governance structures		
↕	↕	↕
ESBT SERVICE REDESIGN PLAN (SRP - formerly the SIP)	**ESBT COST REDUCTION PLANS (CRP - formerly the CIP)**	**ESBT FINANCIAL RECOVERY PLAN (FRP)**
Purpose: to allocate resources to services according to ESBT priorities; including investment/disinvestment schemes and projects	Purpose: to contain and, where feasible, reduce the unit cost of provision	Purpose: to drive a recovery in the ESBT financial position for 2017/18 (assume projects with recurrent savings are reallocated to SRP or CRP for 2018/19
Co-ordinated and controlled by the ESBT ISPG	*Managed by individual organisations against agreed planning targets*	*Managed jointly via Alliance Sub-Group for 2017/18; discontinued for 2018/19*
Lead finance support from CCG	*Lead finance support from relevant orgn*	*Lead finance support from ESHT*
Projects managed and monitored by the ESBT Portfolio Management Office		
<-- Inter-organisational impacts quantified and recognised -->		

3. Conclusion and reasons for recommendations

3.1 The ESBT Strategic Commissioning Board is recommended to:

- **note** the East Sussex Better Together (ESBT) system financial position and scale of forecast outturn variance;
- **note** we are working closely with our regulators, NHS England (NHSE) and NHS Improvement (NHSI) to ensure there is complete transparency and understanding of the position and mitigating plans in the remaining months of 2017/18 and into 2018/19; and
- **endorse** the recovery actions being developed and implemented collaboratively through the Alliance structures, including the financial planning framework for 2018/19.

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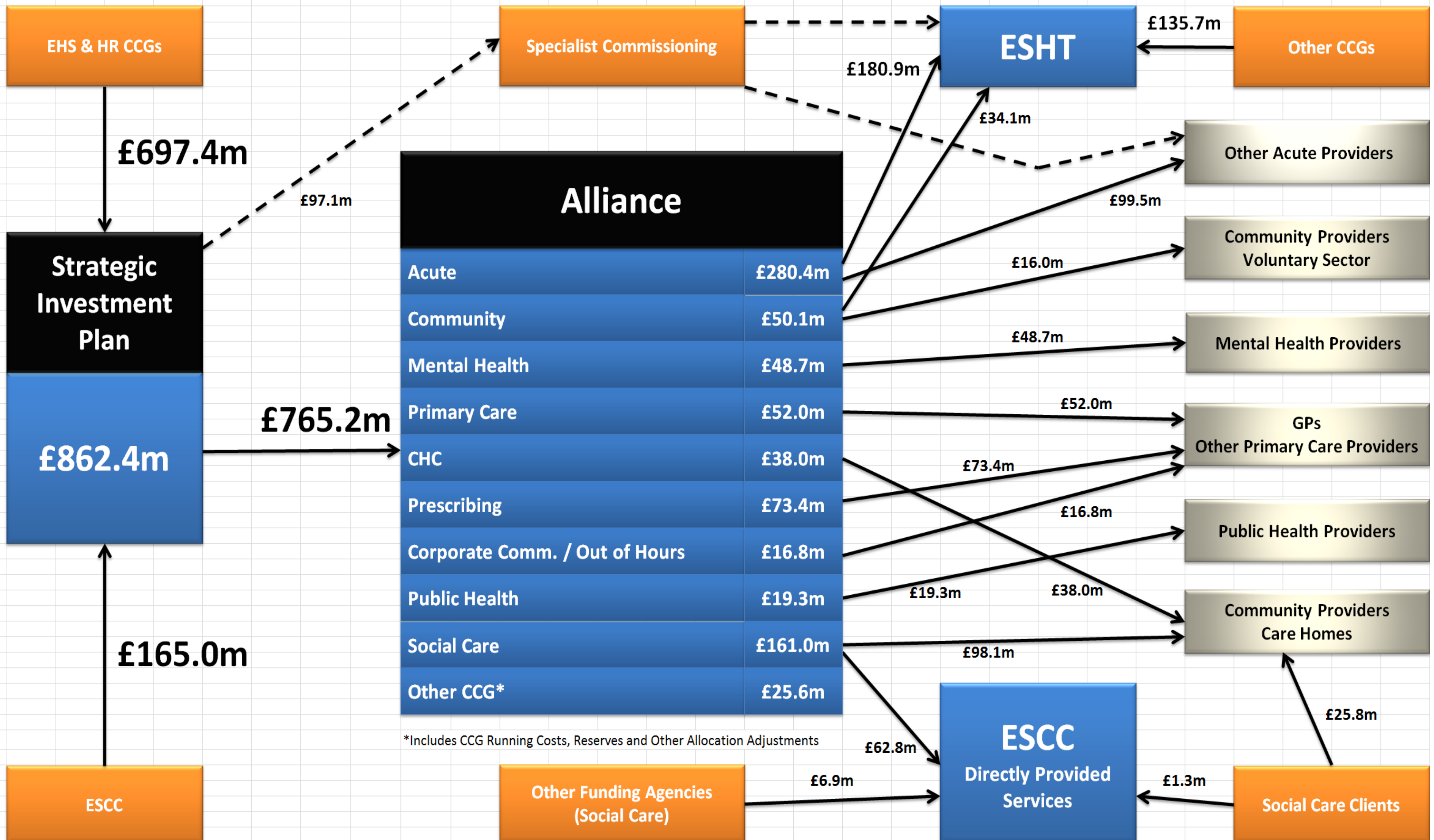
<u>Background documents:</u>

None


ESBT ALLIANCE: FINANCIAL FLOWS 2017/18
EHS & HR CCGs
£697.4m
Strategic Investment Plan
£862.4m
£165.0m
ESCC
£97.1m
Specialist Commissioning
£765.2m
Alliance
Acute £280.4m
Community £50.1m
Mental Health £48.7m
Primary Care £52.0m
CHC £38.0m
Prescribing £73.4m
Corporate Comm. / Out of Hours £16.8m
Public Health £19.3m
Social Care £161.0m
Other CCG* £25.6m
*Includes CCG Running Costs, Reserves and Other Allocation Adjustments
Other Funding Agencies (Social Care)
£6.9m
ESHT
£135.7m
Other CCGs
£180.9m
£34.1m
Other Acute Providers
£99.5m
Community Providers Voluntary Sector
£16.0m
Mental Health Providers
£48.7m
GPs Other Primary Care Providers
£52.0m
£73.4m
£16.8m
Public Health Providers
£19.3m
£38.0m
Community Providers Care Homes
£98.1m
£62.8m
ESCC Directly Provided Services
£25.8m
£1.3m
Social Care Clients