



Report to: East Sussex Better Together (ESBT) Strategic Commissioning Board

Date of report: 9 March 2018

By: Director of Adult Social Care & Health, 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 remainder 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

1. Background

1.1 The report updates the Strategic Commissioning Board on the challenging financial position affecting the ESBT area in the context of the pressures on the NHS and social care nationally. We have demonstrated clear and sustained improvements in quality and managing demand; however the financial challenges identified in previous reports remain significant. The report summarises the financial position for 2017/18 and 2018/19.

2. Supporting Information

2.1 East Sussex Better Together (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) Clinical Commissioning Group (CCG), Hastings and Rother (H&R) CCG and East Sussex County Council, the programme now includes



East Sussex Healthcare NHS Trust (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 As a reminder, the scale of budgets within the control of Alliance Partners is c£1 billion. This is illustrated pictorially at Appendix 1.

3 Finance and Activity Monitoring – 2017/18 Update

3.1 The position reported to this meeting in December was an ESBT Alliance forecast for 2017/18 of a total risk to system control totals before mitigation of £80.3m (NHS £79.8m; LA £0.5m). The latest position (Month 10 figures), in the form of the Alliance financial monitoring report, is attached at Appendix 2 and, by organisation, is as follows:

Organisation	2017/18 Plan £m	Year- end Forecast £m	Forecast Variation from Budget/Control Total £m
East Sussex County Council (ESCC)	0.0	0.4	0.4
EHS & HR CCGs	-17.1	26.9	44.0
East Sussex Healthcare NHS Trust (ESHT)	26.5	56.1	29.6
Total	9.4	83.4	74.0

A negative number indicates a surplus. A positive number indicates a deficit. This means that the CCGs had a surplus control total of £17m and ESHT had a deficit control total of £27m for 2017/18.

3.2 The aggregate position therefore shows a slight improvement from the risk reported in the previous report, but there remains a significant financial challenge, and it is clear that the current cost of health and social care in East Sussex remains substantially higher than is recognised in national funding models.

3.3 Close liaison has been maintained with NHS regulators regarding the financial challenge. The ESBT approach had been to ask regulators to work with us to take a system-wide approach to financial recovery. The intention had been to enable a “fixed income guarantee” between the CCGs and ESHT, to shift focus from transactional contract challenge and individual control totals, towards one of a system approach financial recovery by providing certainty to both commissioner and provider.

3.4 This has not currently been supported by our regulators because of the criticality of initially understanding the impact of Payment by Results (PbR) and outstanding contractual disputes on the baseline for a clear process for planning for **2018/19** in underpinning recovery. This brought about a reconciliation and negotiation process, including mediation from regulators in order to settle the 2017/18 payment at £257.1m.



The mediation outcome set the contract value without any further Quality, Innovation, Productivity and Prevention (QIPP) for the rest of the financial year.

3.5 Our plans have not been realised as quickly as we had planned for and, whilst in line with the national picture, we have seen increases in A&E attendances and non-elective admissions resulting in overspend against plan. Our work has had a clear and beneficial impact on hospital discharge and flow. The Trust has been able to accommodate the increase in admissions without increase in bed capacity.

3.6 Each of the six community investments (Crisis Response, Frailty Practitioner Service, Enhanced Hospital Intervention Team, Integrated Support Workers, Proactive Care Practitioners, Falls & Fracture Liaison) made within the Plan has been evaluated. In general, the evaluation has highlighted a number of common factors:

- Recruitment to new service teams has been slower than planned, and in some cases has caused knock-on staffing shortages for existing services;
- Referrals to the new services have, in the main, been made after an admission has happened. The positive impact has therefore been predominantly on discharge rather than admission avoidance.

3.7 Other new service investments within the Plan, for example Care Home Plus and the expansion of Technology Enabled Services (TECs) have not progressed for operational reasons. These schemes will be assessed as part of the planning for 2018/19.

3.8 A number of the schemes did not progress at the originally planned pace, most notably Locality Planning, where the planned savings target increased to £15.4m. This is now in place with refreshed leadership and clear direction and embedding well to provide a good foundation for delivery in 2018/19.

3.9 More favourably, Prescribing savings targets of £2.9m have been achieved and exceeded with outturn at m10 forecast to be £0.8m overspend after absorbing pressures in the region of £3.2m from the national pricing issue in 'No Cheaper Stock Obtainable' drugs. Total savings are assessed at £5.3m.

3.10 At the start of 2017/18 there was a gap between the expenditure plans of the CCGs and the income plans of the Trust, due to differing assumptions around activity levels. The financial value of this gap was c£43.6m which has been resolved as part of agreeing this year's contract values.



4 Financial Planning for 2018/19

4.1 The ESBT Alliance has agreed a financial planning framework for 2018/19. This 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		
<i>Co-ordinated and controlled by ESBT Finance Group; decisions made via Alliance governance structures</i>		
↕	↕	↕
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)
<i>Co-ordinated and controlled by the ESBT ISPG</i>	<i>Managed by individual organisations against agreed planning targets</i>	<i>Managed jointly via Alliance Sub-Group for 2017/18; discontinued for 2018/19</i>
<i>Lead finance support from CCG</i>	<i>Lead finance support from relevant orgn</i>	<i>Lead finance support from ESHT</i>
<i>Projects managed and monitored by the ESBT Portfolio Management Office</i>		
<i><-- Inter-organisational impacts quantified and recognised --></i>		

4.2 The combination of reductions in government grant (for adult social care), nationally agreed allocations for the NHS and demographic pressures across the system mean that 2018/19 will be extremely challenging financially for the system. Given the overall level of financial deficit within the ESBT health and care system and the variations to plan experienced in 2017/18, all organisations have committed to producing realistic and deliverable plans.

4.3 The process for producing plans for 2018/19 is ongoing at the time of drafting this report.

- ESCC has approved a Budget that requires £9.6 m of savings and specific proposals, notably the reduction in spending at the Milton Grange and Firwood Intermediate Care Homes, will be subject to public consultation.
- Projects for incorporation within the Service Redesign Plan (the successor to the SIP) are currently being developed and appraised collaboratively through the Integrated Strategic Planning Group (ISPG) chaired by the ESCC Director of Adult Social Care and Health. These will feed into the budget plans of all three organisations. While the focus continues to be on demand shift towards lower cost settings, the experience from 2017/18 and the scale of the challenge will require us to consider different ways of meeting need, including some potential disinvestment from existing services and/or projects, in a way that makes the very best use of available resources.
- The CCGs and ESHT will be finalising their budgets by the end of April subject to agreement with NHS England and NHS Improvement.

4.4 Revised control totals have been issued to both CCGs and Trusts. Sustainability & Transformation Funding (STF) which was previously only available to Trusts has now been extended to CCGs but is only available where control totals are met.



4.5 In a challenging national financial environment, all partners remain committed to achieving system financial sustainability and ensuring the best resource management of available resources. This is the basis of the Integrated Finance and Investment Plan.

4.6 A verbal report on progress will be made at the meetings of both the ESBT Scrutiny Board and the Strategic Commissioning Board.

5 Conclusion and reasons for recommendations

5.1 The ESBT Strategic Commissioning Board is recommended to:

- **note** the East Sussex Better Together (ESBT) system financial position and scale of forecast outturn variance for 2017/18;
- **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 remainder 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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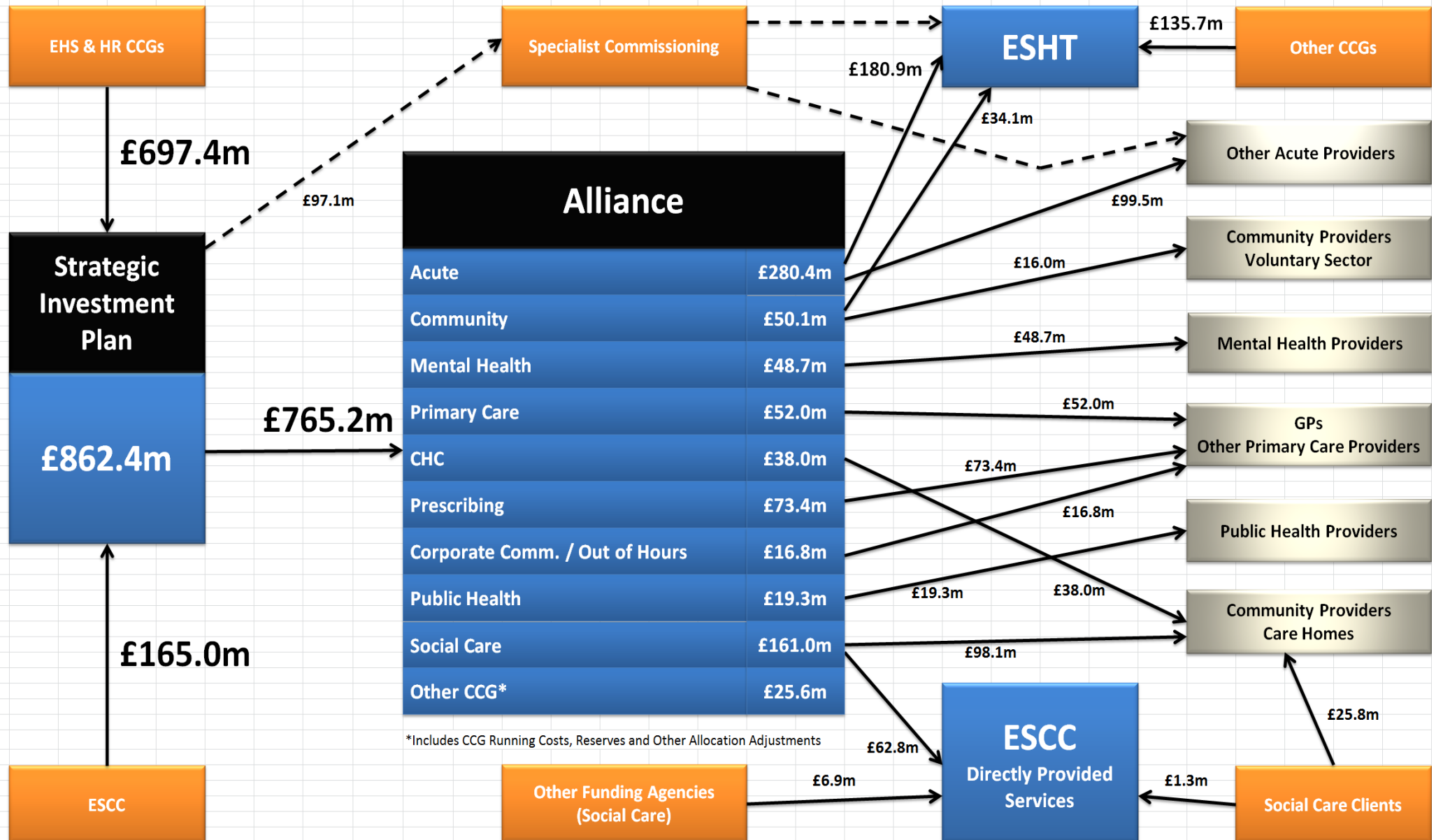
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Background documents: None

ESBT ALLIANCE: FINANCIAL FLOWS 2017/18



ESBT MONITORING PERIOD 10 2017/18 - INCOME & EXPENDITURE
Appendix 2

Accountable Care Monitoring Period 10	Plan YTD Actual YTD Variance YTD			Plan Forecast Variance		
	£'000	£'000	£'000	£'000	£'000	£'000
EHS	244,481	244,481	-	294,579	294,579	-
HR	263,891	263,891	-	317,765	317,765	-
CCG Specialist	80,936	80,936	-	97,123	97,123	-
ESCC - Core Budget	137,517	137,517	-	165,020	165,020	-
ESCC - External Income	28,329	28,329	-	33,995	33,995	-
ESCC - Income from HWLH	52,453	52,453	-	62,943	62,943	-
ESHT*	114,167	101,302	12,864	137,000	121,563	15,437
Total Income	921,773	908,909	12,864	1,108,425	1,092,988	15,437
ESHT Gross Exp	355,417	367,000	(11,583)	426,500	440,400	(13,900)
Acute Spend with Other Providers	81,622	86,945	(5,323)	97,796	106,169	(8,373)
Community Spend with Other Providers	12,667	10,288	2,379	15,246	12,628	2,617
CCG Mental Health	40,620	40,620	-	48,569	48,744	(175)
Primary Care	104,421	105,406	(985)	125,314	126,107	(793)
CHC	31,686	32,128	(442)	38,023	38,631	(608)
CCG Spend with Local Authorities	4,303	4,573	(270)	3,031	3,423	(392)
Other CCG Spend	13,752	10,419	3,333	17,025	13,321	3,704
CCG Admin Costs	6,719	6,617	102	8,128	8,028	100
Earmarked Reserves	3,537	-	3,537	7,573	4,187	3,386
CCG Specialist	80,936	80,936	-	97,123	97,123	-
Adult Social Care	156,094	156,433	(339)	187,313	187,720	(407)
Children's Services	5,262	5,262	-	6,314	6,314	-
Public Health	17,202	17,202	-	20,642	20,642	-
HWLH	52,453	52,453	-	62,943	62,943	-
ACO Expenditure	966,690	976,281	(9,591)	1,161,540	1,176,381	(14,841)
Net Planned Deficit	44,917	67,372	(22,455)	53,115	83,394	(30,278)
System Imbalance**	(37,000)	(469)	(36,531)	(43,615)	-	(43,615)
System Control Total	7,917	66,903	(58,986)	9,500	83,394	(73,893)

*YTD non-ESBT ESHT Income pro-rata to the ratio in the annual plan. Month 9 figures pro ratas to annual plan and forecast at this stage

**This is the structural deficit that results from the difference in CCG and ESHT plans.