

**Report to:** East Sussex Health Overview and Scrutiny Committee (HOSC)

**Date of meeting:** 28 March 2019

**By:** Assistant Chief Executive

**Title:** NHS Financial Recovery

**Purpose:** To provide HOSC with an update on the Clinical Commissioning Groups' and East Sussex Healthcare NHS Trust's expected financial outturn for 2018/19 and future financial plans

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## **RECOMMENDATIONS**

**The Committee is recommended to:**

- 1) consider and comment on the report; and**
  - 2) identify any proposals that require further scrutiny.**
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### **1. Background**

- 1.1. The Health Overview and Scrutiny Committee (HOSC) considered a report at its 27 September 2018 meeting on the financial performance of local NHS commissioners and the main acute provider in East Sussex, East Sussex Healthcare NHS Trust (ESHT).
- 1.2. The Committee requested a further update towards the end of the financial year on:
  - The expected financial outturn for 2018/19 of the three Clinical Commissioning Groups (CCGs) in East Sussex; and
  - the Five-Year Financial Improvement Plan of ESHT and Eastbourne, Hailsham and Seaford Clinical Commissioning Group (EHS CCG)/Hastings and Rother CCG (HR CCG) that was due to be agreed at the end of 2018.

### **2. Supporting Information**

- 2.1. The three CCGs in East Sussex – High Weald Lewes Havens CCG (HWLH CCG); EHS CCG, and HR CCG – and ESHT ended the 2017/18 financial year with a combined £102m deficit.
- 2.2. EHS and HR CCGs ended 2017/18 with a combined financial deficit of £37m, which was the first time they had been in deficit in four years. The underlying financial position had deteriorated in part due to a £22m increase in the cost and frequency of services being provided to patients by acute hospitals, which the CCGs are required to pay for under Payment by Results contracts.
- 2.3. The two CCGs agreed with NHS England to end the 2018/19 financial year with a 'control total' of a £32m combined deficit. If the CCGs achieve this control total they would receive a payment of £32m from the national Commissioner Sustainability Fund (CSF) that would reduce their deficit for the year to zero.
- 2.4. In order to reach the control total the CCGs will need to deliver Quality, Innovation, Productivity and Prevention (QIPP) savings of £18m, amounting to around 3% of their total expenditure. The QIPP savings include both schemes that deliver improved quality and efficiency and drive transformation, and a 5% reduction in non-acute budgets (excluding Primary Care and Mental Health). The QIPP savings fall across five key categories, Medicines Management, Planned Care, Urgent Care, Community, and Running Costs.
- 2.5. The Committee was informed at its September meeting that the savings plans as of quarter 2 were on course for delivery, with most of the savings having been identified and in the process of being implemented.

- 2.6. HLWH CCG ended 2017/18 with a deficit of £9m. The CCG agreed with NHS England a control total of £10.7m deficit through the delivery of £9.2m of QIPP savings, amounting to roughly 3% of total expenditure.
- 2.7. HWLH CCG informed HOSC in September that it was on course to deliver its savings at the end of quarter 2, albeit £2.3m of unmitigated risks remained, i.e. savings that had not yet been identified or that had a significant risk to delivery.
- 2.8. NHS England placed EHS and HR CCG into legal directions in July 2018 and appointed a single System Improvement Director team to the area. As part of these legal directions, the two CCGs were required to develop a joint Five-Year Financial Improvement Plan with ESHT, which is also in financial special measures. The plan was submitted to the System Improvement Director in December 2018 and signed off by ESHT's Trust Board and the CCG Governing Bodies in that month. The Plan will be finalised in April 2019 in light of the organisations having received their control totals and planning guidance for 19/20. It will also be extended to reflect key elements of East Sussex County Council's financial plan.
- 2.9. The latest report attached as **Appendix 1** explains that at the end of March 2019 the East Sussex health system is now anticipating – after CSF payments – a combined deficit of £44.9m (compared to £102m the year before). The forecast delivery of the planned deficit for 2018/19 has been achieved through the full delivery of the CCGs' QIPP programme and the equivalent Cost Improvement Programme (CIP) at ESHT.
- 2.10. For 19/20 control totals have been set by the regulators of £34m deficit for ESHT, £7.6m for HWLH CCG, and £23.9m for EHS and HR CCGs. After central funding payments this would result in a total £13.9m deficit. Plans for QIPP and CIP savings for 19/20 are being finalised and overseen by the East Sussex Health and Social Care Executive Group (which comprises executive team members from health and social care across East Sussex).

### **3. Conclusion and reasons for recommendations**

- 3.1 HOSC is recommended to consider and comment on the report.

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