

Northumberland, Tyne and Wear NHS Foundation Trust

Board of Directors

Meeting Date: 28th February 2018

Title and Author of Paper: Planning Guidance & Financial Allocations for 2018/19 - James Duncan, Director of Finance / Deputy Chief Executive

Executive Lead: James Duncan, Director of Finance/Deputy Chief Executive

Paper for Debate, Decision or Information: Debate and Decision regarding delegated Authority

Key Points to Note:

- The planning guidance 'Refreshing NHS Plans for 2018/19' was issued on 2 February 2018. This document together with the NHS England Board paper on Financial Allocations are attached for information.
- The NHS already has 2 year contracts and improvement priorities set for the period 2017/19. These were based on the NHS Operational Planning and Contracting Guidance 2017-2019 published in September 2016 and reflected in the March 2017 document Next Steps on the NHS Five Year Forward View.
- The November 2017 budget announced additional NHS revenue funding of £1.6 billion for 2018/19, which will increase funding for emergency & urgent care and elective surgery. In addition, for other core frontline services such as mental health and primary care, the Department of Health & Social Care (DHSC) is making a further £540 million available through the Mandate over the coming financial year. This £2.1m provides funding growth of 2.4% in real terms compared to 2.1% in 17/18.
- The joint NHS England and NHS Improvement updated guidance sets out how these funds will be distributed and the expectations for commissioners and providers in updating their operational plans for 2018/19.
- The guidance sets out the objective to build on the progress made in 2017/18 and protect investment in mental health, cancer services and primary care in line with the available resources and agreed plans. It states that, recognising the scale of unmet need in mental health, the importance of cancer services and the intense pressures on primary care "it would be unacceptable to compromise progress on these services". This means a continued commitment to deliver the cancer waiting time standards, achievement by each and every CCG of the Mental Health Investment Standard, service expansions set out by the Mental Health Taskforce and General Practice Forward View commitments, consistent with the expectations already set out in the 2017-19 planning guidance.
- Given that 2 year contracts are in place, 2018/19 will be a refresh of plans already prepared. This will enable organisations to continue to work together through STPs to develop system-wide plans that reconcile and explain how providers and commissioners will collaborate to improve services and manage within their collective budgets. Additional freedoms and flexibilities, described in the guidance, will support the most advanced Integrated Care Systems to lead this process.

- The resources available to CCGs will be increased by £1.4 billion, principally to fund realistic levels of emergency activity in plans, the additional elective activity necessary to tackle waiting lists, universal adherence to the Mental Health Investment Standard and transformation commitments for cancer services and primary care. This increase includes a £400m Commissioner Sustainability Fund, which will be directed towards those CCGs in deficit in 2016/17. It also includes relaxation of the requirement for commissioners to generate a surplus, and the requirement to earmark 0.5% of funding against non-recurring measures.
- It should be noted however, that our local CCGs remain disproportionately hit by the changes in allocation funding which were announced three years ago, and thus they receive less than the overall national levels of uplift, as part of the programme to move CCGs systematically towards the national allocation target.
- All CCGs will be expected to achieve a minimum of financial balance with zero deficits, following deployment of any Commissioner Sustainability Fund allocations.
- To support one of its 5 key principles for 18/19 – ‘Seek to protect planned investment in mental health, cancer and primary care’. NHS England for the first time are going to require each and every CCG to meet the Mental Health Investment Standard (where mental health spending grows faster than its overall funding growth). Furthermore this will be subject to independent validation by the CCG’s auditors. Doing so will support further expansions next year in children and adolescent mental health services, crisis and emergency mental health care, talking therapies, and a range of other improvements.
- The first of its key principles is that funding should ‘Deal with current levels of unfunded care (deficits) that need funding going into next year’ and the Trust will need to address these 2 principles in tandem in its contract negotiations.
- The guidance also sets out expectations for growth in elective and non-elective activity, which commissioners and providers should ensure is incorporated into contracts and also sets out the requirement that overall waiting list should not increase from March 2018 to 2019, while the numbers waiting over 52 weeks should be improved. The NHS should return in aggregate to its target of reaching the 95% 4 hour A and E wait by March 2019.
- For providers, £650m will be added to the £1.8 billion Sustainability and Transformation Fund to create an enhanced £2.45 billion Provider Sustainability Fund (PSF), targeted at the same objectives as the existing STF. The additional £650m must deliver at least a pound-for-pound improvement in the aggregate provider financial position and will be reflected in 2018/19 provider control totals.
- The Trust has received its adjusted control total for 2018/19 and this is now set at £7.026m after receipt of £781k in additional PSF. This represents a net benefit to the Trust of £846k
- The provider sector will plan and deliver a balanced income and expenditure position for 2018/19 after deployment of the £2.45 billion Provider Sustainability Fund.
- Providers will be expected to plan on the basis of their 2018/19 control totals. Provider plans must make clear whether the Board has confirmed acceptance of its control total. If the control total has not been accepted, this is likely to trigger action under the Single Oversight Framework.

Capital

- Providers who accept control totals (and associated conditions) will also be eligible to be considered for any discretionary capital allocations. However, providers and STPs should not assume any capital resource above the level in current 2018/19 operating plans.
- The approval of additional STP capital will be contingent on the STP having a compelling estates and capital plan. The STP plan must be fully aligned with the overarching strategy for service transformation and financial sustainability. This plan must set out how the individual organisations in the STP will work together to deploy capital funding to support integrated service models, maximise the sharing of assets and dispose of unused or underutilised estate. In addition, plans will need to demonstrate both value for money and savings to the STP over a reasonable payback period.

Integrated System Working

- In 2018/19, NHSE expect all STPs to take an increasingly prominent role in planning and managing system-wide efforts to improve services. STPs should ensure a system-wide approach to operating plans that aligns key assumptions between providers and commissioners which are credible in the round.
- NHSE will reinforce the move towards system working in 2018/19 through STPs and the voluntary roll-out of Integrated Care Systems. Integrated Care Systems are those in which commissioners and NHS providers, working closely with GP networks, local authorities and other partners, agree to take shared responsibility (in ways that are consistent with their individual legal obligations) for how they operate their collective resources for the benefit of local populations.
- NHSE are now using the term 'Integrated Care System' as a collective term for both devolved health and care systems and for those areas previously designated as 'shadow accountable care systems'. An Integrated Care System is where health and care organisations voluntarily come together to provide integrated services for a defined population.
- NHSE see Integrated Care Systems as key to sustainable improvements in health and care.
- Integrated Care systems will be supported by new financial arrangements including a system wide control total.
- There are currently eight areas designated as 'shadow' accountable care systems, plus the two devolved health and care systems based on STP footprints (Greater Manchester and Surrey Heartlands). In 2018/19, systems are encouraged to adopt a fully system-based approach to the PSF and CSF under which no payment will be made unless the system as a whole has delivered against its system control total. If the system achieves its control total, but individual trusts or CCGs do not, the system will still retain its full share of the PSF and any applicable CSF awards.

CQUIN & Quality Premium

- NHS England will shortly be publishing an update to the 2017/19 CQUIN guidance.
- The 0.5% risk reserve CQUIN will be withdrawn in 2018/19. The 0.5% will be added to the engagement CQUIN, which will increase as a result to 1%.

Timetable

- The task for commissioners and providers is to update the 2018/19 year of existing two-year plans to ensure that operating plans are stretching and realistic, and show a bottom line position consistent with the control totals set by NHS England and NHS Improvement.
- Where the 2018/19 plans have changed and these changes need to be reflected in the finance, activity or other schedules for the second year of 2 year contracts, a contract variation should be agreed to this effect, and signed no later than 23 March 2018.
- Where commissioners and providers fail to reach timely agreement the dispute resolution process in the contract should be followed with a decision to enter into mediation by 2 March 2018.
- Draft and final Operating Plans needs to be submitted. The first and final plan submission will include finance, activity, workforce and triangulation returns alongside an update to the existing two-year plan narrative.
- The Draft Operating Plan 2018/19 needs to be submitted on 8 March 2018 and the final Board approved Operating Plan needs to be submitted on 30 April.
- Following discussions that have been held in the Board Development session on 27th February, The Board are asked to delegate authority for the submission of the Draft Operating Plan to the Chief Executive supported by the Executive Directors. This will be considered at the March Board along with the Financial Budgets and Strategic Delivery Plan update. Further amendments to the plan will be considered to support preparation of the final submission on 30th April, which will be brought to the April Board Meeting for sign off.

Risks Highlighted:

- The guidance emphasises the requirement for organisations to achieve their control totals in 2018/19. The Trust's current draft financial plans identify the need to achieve a net financial improvement of circa £16m to meet its control total next year. Therefore, there is a significant risk around the delivery of the 2018/19 control total.

Does this affect any Board Assurance Framework/Corporate Risks:

Please state Yes or No Yes

If Yes please outline: SA4.2 That we do not manage our resources effectively through failing to deliver the required service change or productivity gains required.

Equal Opportunities, Legal and Other Implications: N/a

Outcome Required / Recommendations: Agreement of expectations regarding submission of draft Operational plan, following discussion at Board Development session of 27th February. Delegation of Authority to Chief Executive supported by Executive Directors to submit draft plan.

Link to Policies and Strategies: Trust Strategy, Financial Strategy, Quality Goals, Group and Corporate Strategic Delivery Plans