

REPORT TO:	Health, Social Care and Housing Scrutiny Committee 27th September 2016
AGENDA ITEM:	6
SUBJECT:	Croydon CCG and Croydon Health Services NHS Trust Special Measures
LEAD OFFICER:	Paula Swann, Chief Officer CCG
CABINET MEMBER:	N/A
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	Paula Swann, Chief Officer, Croydon CCG Mike Sexton, Chief Financial Officer, Croydon CCG
ORIGIN OF ITEM:	Notification of Special Measures
BRIEF FOR THE COMMITTEE:	Report requested by the Committee – On 21 st July 2016, NHS England and NHS Improvement announced new measures to address the NHS's financial challenges nationally. They published action to strengthen Trust's and CCG's financial and operational performance - 'Strengthening Financial Performance & Accountability in 2016/17'. Croydon Health Services NHS Trust was identified as one of five Providers to enter financial special measures. Croydon CCG was identified as one of 9 CCGs to be placed in special measures.
CORPORATE PRIORITY/POLICY CONTEXT:	

1. EXECUTIVE SUMMARY

- 1.1 Strengthening Financial Performance & Accountability in 2016/17 sets out the agreed legal responsibilities of individual NHS bodies to be within the funding Parliament has decided should be available to the NHS this year. Individual accountabilities will be supplemented by the Sustainability and Transformation Plans being developed in communities across England.
- 1.2 Due to growing financial challenges across the NHS, the focus in 2016/17 is to stabilise the financial position and ensure ongoing financial sustainability through the delivery of Sustainability and Transformation Plans.
- 1.3 NHS England and NHS Improvement have set out a comprehensive set of actions with the support of the Department of Health:
 - allocated an extra £1.8 billion to trusts, with the aim set by NHS Improvement of cutting the combined provider deficit to around £250 million in 2016/17

(dependent on providers meeting control totals, spending limits and performance trajectories;

- replaced national fines with trust-specific incentives linked to agreed organisation-specific published performance improvement trajectories, so as to kick-start a multi-year recovery and redesign of A&E and elective care;
- agreed 'financial control totals' with individual trusts and CCGs, which represent the minimum level of financial performance against which their boards, governing bodies and chief executives must deliver in 2016/17, and for which they will be held directly accountable;
- introduced new intervention regimes of special measures which will be applied to both trusts and CCGs who are not meeting their financial commitments;
- set new controls to cap the cost of interim managers in CCGs and CSUs, and to fast track savings from back office, pathology and temporary staffing for providers;
- published the 2015/16 performance ratings for CCGs; *and*
- announced a two-year NHS planning and contracting round for 2017/18-2018/19, to be completed by December 2016, and linked to agreed Sustainability and Transformation Plans.

1.4 NHS England and NHS Improvement announced a range of new measures to help address the financial challenges faced by a number of NHS organisations across the country. As part of this, Croydon CCG and Croydon Health Services NHS Trust have both been identified as requiring additional support to close our long-standing financial deficits. CHS is one of first five Providers to enter financial special measures and Croydon CCG is identified as one of 9 CCGs to be placed in special measures.

2 BACKGROUND

2.1 The Kings Fund in March 2015 in 'Is the NHS Heading for a Financial Crisis' reported that *the NHS is going through the biggest financial squeeze in its history. Since 2010, its budget has effectively been frozen, increasing by just enough to cover inflation. While this is generous compared to other areas of public spending, increasing demand for care means that services are under huge pressure.*

2.2 It also reflected that *The NHS has responded well to these challenges but financial pressures are growing, with large numbers of hospitals now in deficit. Looking further ahead, pressure to spend more will grow as the costs of treatment rise, public expectations increase and the population continues to age.*

2.3 It concluded that *The increasing number of providers in deficit is symptomatic of the mounting difficulties that trusts face in realising cost savings and assuring quality standards (through increasing nurse staffing, for example) in the wake of the Francis Inquiry.*

2.4 Commissioners and providers ended 2015/16 with an aggregate deficit of nearly £2bn, a threefold increase on the previous year.

2.5 Whilst there is undoubtedly scope to deliver further productivity improvements, for

example by tackling variations in performance between NHS providers, better procurement of goods and services, and greater integration of care, these will take time to deliver savings.

- 2.6 This worsening financial position of NHS Providers and Commissioners has resulted in the [financial 'reset'](#) which aims to “dramatically cut the annual trust deficit and sharpen the financial accountability of trusts and clinical commissioning groups”.

3 CROYDON CCG SPECIAL MEASURES

- 3.1 As a result of the CCG's financial performance in the first quarter of the Financial Year, a reported forecast position of -£9.9m deficit against a control total deficit of -£4.2m, Croydon CCG has been put in special measures.

- 3.2 Those measures are that; 'Croydon CCG will be directed to produce and implement an Improvement and Financial Recovery Plan which will be approved and overseen by NHS England, improve governance of the CCG, deliver the recovery plan and develop leadership for the CCG that is consistent with the shared management arrangements required to support implementation of the STP'.

- 3.3 The CCG has commissioned, in conjunction with NHS England, an Independent Financial and QIPP Review and a Well Led review. These reviews are in progress and it is anticipated that the reviews will assist the CCG in further developing our financial plan to reduce our deficit and provide recommendations to improve delivery.

- 3.4 NHS England, following their 2015/16 Annual Assurance Framework gave the CCG a rating of 'requires improvement' alongside 90 other CCGs across the country. The CCG received a 'good rating' for the well led criteria.

4 CROYDON CCG DELIVERY TO DATE

- 4.1 Croydon CCG has faced financial challenges dating to its establishment in April 2013. In its first year (13/14) the CCG was underfunded by £46m (-10.41%).

- 4.2 The CCG has developed and delivered each year against its Five Year Financial Improvement Plan which sought to achieve financial improvement through the delivery of QIPP – Quality, Innovation, Productivity and Prevention and the receipt of additional 'pace of change – distance from target' allocation.

- 4.3 The CCG's financial challenges over the last two years have been exacerbated by:
- funding changes whereby additional funding streams have been incorporated into the baseline revenue resource growth increases
 - changes to business rules which have meant that payments to Trusts have increased for the same level of activity
 - transfers of funding to the Local Authority through the Better Care Fund
 - requirements to fund mental health services to meet parity of esteem targets

- increases in demand for services resulting in additional activity and costs
- a requirement to hold increased uncommitted contingency funds

A lack of reserves to manage these changes has meant that the CCG has had little flexibility within its position to manage them.

4.4 Despite these challenges, the CCG has consistently delivered improved performance against its agreed deficit plan and delivered its QIPP target whilst improving quality and performance each year.

	2013/14	2014/15	2015/16	2016/17
Revenue Resource Limit (RRL) £M's	392.4	406.0	441.2	467.0
Distance from Target %	-10.41%	-9.62%	-6.86%	-3.71%
Distance from Target £M's	-45.6	-43.2	-32.0	-18
RRL -Deficit Plan £M's	-19.9	-17.0	-11.9	-4.2*
RRL - Actual Outturn £M's	-18.2	-14.7	-10.8	-9.9 -15 forecast
% Deficit	4.64%	-3.62%	-2.49%	-2.12% to -3.02% forecast
QIPP Delivery £M's	14.0	11.0	10.5	18.4**
QIPP Deliver % RRL	3.57%	2.71%	2.42%	2.72%

4.5 For 2016/17, whilst the CCG is striving to deliver additional savings to meet its deficit control total of £4.2m, the CCG's forecast performance, given the risks it is managing, is a deficit of £9.9m with a worst case deficit of circa £15m.

5 PLANS FOR 2016-17 AND BEYOND

5.1 The CCG set a deficit budget of £9.9m for 2016/17*. In the latter part of April, the CCG was advised by NHSE that further QIPP delivery was required for the CCG to address its recovery more quickly and achieve a sustainable financial footing and that a deficit control total of £4.2m would be imposed with recurrent financial balance required from 1 April 2017. At this time NHS Improvement also set control totals for Provider organisations.

5.2 The CCG's 2016/17 RRL reflects underfunding of -3.71% circa £18m. This is deemed to be within an acceptable +/- 5% financial range and allocations only allow for modest additional growth funding through to 2020/21.

5.3 The CCG has obtained financial assurance of its plans each year and has continually reviewed its benchmarked opportunity to deliver services more effectively. Given a reported lack of QIPP opportunity there is an increasing need to consider transformational schemes to effect whole system change such as Outcomes Based Commissioning (OBC) for Over 65s, a network of integrated urgent care services, as well as delivery of the wider South West London Sustainability and Transformation Plan (STP). All of which seek to deliver change through significantly greater collaborative working.

- 5.4 This year is the CCG's greatest challenge, and we along with many other CCGs, are urgently reviewing how to achieve further savings. For Croydon this will mean delivering a minimum of £18.4m savings, a further increase of £5.7m on our original QIPP plan.
- 5.5 The CCG is clear that the additional funding it has received within the last two years means that future allocation growth will be modest and that there is reduced benchmarked opportunity for further QIPP. In order to deliver a sustainable financial position for the CCG we will need to further develop our Improvement and Financial Recovery Plan and, working with the public, patients and partners and stakeholders to consider how the CCG can effectively focus its resources to greatest need to deliver better outcomes.
- 5.6 It is anticipated that the significant in-year savings requirement will require significant service changes. Potentially, some of these changes will require wide scale engagement or consultation with the CCG's patients, public, residents, stakeholders and partners.
- 5.7 The details of which services may be affected are still subject to confirmation and therefore it is more difficult for us to make concrete plans to engage with specific communities. But there are a number of pre-engagement activities the CCG will be undertaking within the coming weeks.
- 5.8 Croydon CCG is aware of and committed to fulfilling our responsibilities under section 14Z2 of the Health and Social Care Act (2012). The CCG are also bound by the NHS Constitution and the rights of all patients to be involved in decision making processes which affect them. And that, as an NHS body, the CCG has a responsibility to put patients at the heart of everything the CCG do and that the CCG are accountable to the public, communities and patients the CCG serve.

6 CONCLUSION

- 6.1 The lack of future funding growth, the growing demand for services and the reducing opportunity for efficiency means that the NHS in Croydon, to live with within the resource allocated to it, must more rapidly work with its partners, across care settings, to transform the whole health and care system and make service provision prioritisation decisions.

7 EQUALITIES IMPACT

- 7.1 Croydon, as a Borough, has one of the most diverse populations both in London and Nationally. While Croydon has slightly lower levels of deprivation than the England average, it has a higher than average number of children living in poverty; higher levels of homelessness; higher rates of teenage pregnancy and a greater prevalence of diabetes than the England average. These are all key indicators of serious health inequalities.
- 7.2 While the in-year savings the CCG are required to make are significant, the CCG has a responsibility under the Equality Act 2010 and Health and Social Care Act

(2012) to, “Give regard to the need to reduce inequalities between patients in access to, and outcomes from healthcare services and to ensure services are provided in an integrated way where this might reduce health inequalities.

7.3 The CCG will work with our many well-established local networks, such as PPGs and CVS networks on specific service areas. This will act as a conduit to reach smaller local groups, who are unlikely to engage with us otherwise.

7.4 As part of our formal Equalities Impact Assessment we will be able to identify any potential impacts on specific communities and will be able to call upon members of these networks to help us to reach marginalised groups through face to face engagement at venues where these communities come together.

7.5 Alongside this we will work closely with Healthwatch Croydon to reach the patient community and understand their issues and make sure we act on the sound and insightful local intelligence supplied by them.

8 **ENVIRONMENTAL IMPACT**

Not Applicable

9 **PARTNERSHIP AND COLLABORATIVE WORKING**

9.1 The CCG is a member of a number of forums with Partners where the detail of the CCG’s Improvement and Financial Recovery Plan can be shared and consideration given to any potential impact and unintended consequences.

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