Medium term financial strategy - key objectives (1)

1. OUR AMBITION

Over the next 5 years we aim to secure two key objectives:

- To make a **tangible difference in reducing health inequalities and improving health outcomes through significant annual targeted investment funding to 2027/28** (target of £135m recurrently invested by this date) to support prevention and inequalities focussed action across our system.
- To **deliver sustainable financial balance across our system by the end of the 2027/28**, to provide a stable financial environment to support continued improvement and investment in healthcare and outcomes.

While the NHS financial framework remains uncertain, our commitment is that health inequalities and prevention investment will be at the core of our plans with a funding commitment that is ambitious, realistic, achievable and sufficient to deliver real change. The commitment to financial sustainability will also be vital to ensuring a robust and effective ICB delivering on its core responsibilities, secured through approaches that demonstrably improve productivity, efficiency and value through making the best possible use of the money we have available. Our 2023/24 financial outturn and the pressures we are facing means securing both these objectives over the next three years looks increasingly challenging – we will be reviewing our recovery glide path in 2024/25.

2. ADDRESSING INEQUALITIES IN INVESTMENT

Total healthcare spend at 5 of our 6 boroughs is broadly aligned, with the ICB being over target in terms of spend relative to need. At an expenditure area level, however there are larger variations in spend, particularly for community and mental health services. **Our focus on any rebalancing of investment will therefore primarily be within boroughs**, with a targeted **forward investment plan that addresses known areas of inequity e.g. inequalities, prevention, mental health and children and young people.**

3. MAXIMISING OUR RETURN ON INVESTMENT

We will need to be more rigorous in the tests we apply to both existing and additional investment **–** with a specific focus on **return on investment and benefits realisation,** including reducing health inequalities and improving health outcomes and improving quality and outcomes. We will also need to ensure we are **optimising productivity and efficiency opportunities and reducing our current cost base across all service areas.**

Medium term financial strategy - key objectives (2)

4. ONGOING FOCUS ON THE DELIVERY OF EFFICIENCIES ACROSS THE SYSTEM

Our acute sector particularly will continue to be under **significant financial and service pressure** resulting from underlying deficits, convergence requirements and demand and capacity imbalances but also with **significant opportunities** associated with the post covid period productivity gap and wider efficiency opportunities. We will work collaboratively across the system to secure collective approaches, ensure the best possible use of available capacity and resource, address variation and improve productivity and efficiency. We may also need to consider more radical actions across site and service configurations that will reduce out cost base and enable us to live within the resources made available to us.

We will apply an **equivalent rigour to community-based care and other out of hospital services**, to ensure demonstrable improvements in productivity and efficiency across all parts of the system. In doing so we will be asking our Local Care Partnerships to proactively take forward integration opportunities to secure demonstrable best value and reduce duplication, help reduce secondary care demand and support improved acute productivity.

5. USING OUR MEDIUM-TERM FINANCIAL STRATEGY TO FACILITATE AND INCENTIVISE DELIVERY

We need to ensure that our **MTFS facilitates the delivery of our wider population and service ambitions**, to reduce health inequalities and to provide operational and financial stability. Prevention and targeted investment should reduce demand pressures over time and thereby aid financial recovery. We recognise however that there will be **timing issues** as it is likely that the savings/efficiency requirements will exceed a realistic pace of delivery around population and pathway improvement. We will therefore need to recognise a realistic but ambitious **pace of change** to ensure we are not leaving parts of our system exposed in terms of financial viability whilst also ensuring we are able to invest for the future, stay true to and not jeopardise our planned strategic investments.

6. INFLUENCING NATIONAL POLICY

As a system we will continue to work through national allocation approaches, question and challenge where appropriate, specifically convergence, shifts to population-based budgets and the pace of change, to seek to **influence national policy and draw attention to the consequences**, in the context of the overall NHS financial framework, including budgets we will take on from NHS England associated with delegation.

Our ambition - where do we want to be in 5 years?

Our Integrated Care Board and Integrated Care Partnership has endorsed a set of clear system wide ambitions around our Medium-Term Financial Strategy. Our MTFS will need to be align to the ICS's and national strategic frameworks and priorities, which continue to be developed in line with our Integrated Care Strategy, this NHS Joint Forward Plan and overall national policy approaches and imperatives. Notwithstanding this our agreed ambitions are:

- **FINANCIAL BALANCE**
  - To secure a **financially balanced ICB** that has eliminated its recurrent underlying deficit and established a sustainable forward financial position that enables us to respond to the needs of our population effectively.
  - To secure the **financial health of the key provider organisations within SE London** that provide care to local residents and wider populations.
  - To **meet our annual financial targets** through operational plans that are demonstrably delivered inclusive of a clear **annual improvement in our underlying position**.
  - Aim to deliver a system financial position that is in the **top-quartile** nationally, inclusive of key productivity and efficiency metrics.

- **SECURING STRATEGIC, REBALANCED INVESTMENT**
  - To look at all of our resources, including existing spend, to ensure targeted action within core budgets that **identify and address health inequalities**.
  - Ensuring that our investment moves over time to a position where we have **rebalanced spend between sectors and places** to meet the needs of our population, with a core focus on continuing to **increase our relative investment in mental health services to align investment to weighted population need.**
  - Demonstrably shifting the balance of investment across prevention, early detection and intervention and managing ill health, underpinned by ring fenced investment for prevention and inequalities.
  - Ensuring a minimum proportionate level of investment across services for **children and young people** and adults
  - To **shift resource and care along the care pathway** to support community-based care, invested in prevention, early detection and intervention and reducing inequalities.
  - Targeting our investment to **maximise and demonstrate a clear return on investments.**

- **DRIVING AND INCENTIVISING CHANGE**
  Utilising the opportunities of our ICB, Collaboratives and Places to lever, **drive and incentivise change, innovation, value, productivity and efficiency.**

Financial context

- **Up to 2019/20, before the pandemic, the SEL system faced significant financial challenges** and the second highest ICB deficit in London of £252m. The position by provider was differential but with underlying recurrent challenges evidence and building across the system. As a result, SEL was in receipt of significant levels of national support funding from the Provider Sustainability Fund (PSF) and the Financial Recovery Fund (FRF).

- Over the period **since the pandemic the NHS financial regime has changed significantly** marked by significant short term **Covid funding** support, a shift away from **Payment by Results** contractual and payment forms, new recovery incentive arrangements through the **Elective Recovery Fund** and the replacement of national support funding arrangements with **system top-ups**. Furthermore, **convergence adjustments** have been introduced for those systems spending more than their fair shares, to reduce systems' reliance on national support and bring their allocations into line with weighted population need. Increased **collaborative planning arrangements** have accompanied these changes, with closer working within and across systems to deliver common strategic and financial objectives at a system (ICS) level.

- **In 2023/24 the SEL ICB agreed a balanced financial plan** , with a very significant inbuilt challenge around planned efficiencies, income risks, the Elective Recovery Fund (ERF), and inflationary pressures. In year the NHS has seen significant financial impact from Industrial Action and other inflationary pressures with some additional funding allocated nationally to compensate for the associated cost pressures. This has improved our position, but we have, despite the delivery of material cost improvement plan savings and the use of non-recurrent flexibilities, been unable to secure a breakeven year end position and also come in to 2024/25 with an increased underlying financial deficit.

- For **2024/25 we will be seeking to improve our underlying financial position** and to secure an ambitious in year savings programme with a focus on recurrent cost out and significantly improved productivity and efficiency, as a year 1 contribution to the delivery of our five-year ambition. We hope as part of our plan to be able to continue to target investment in inequalities and prevention, alongside the other allocative commitments made in our MTFS.

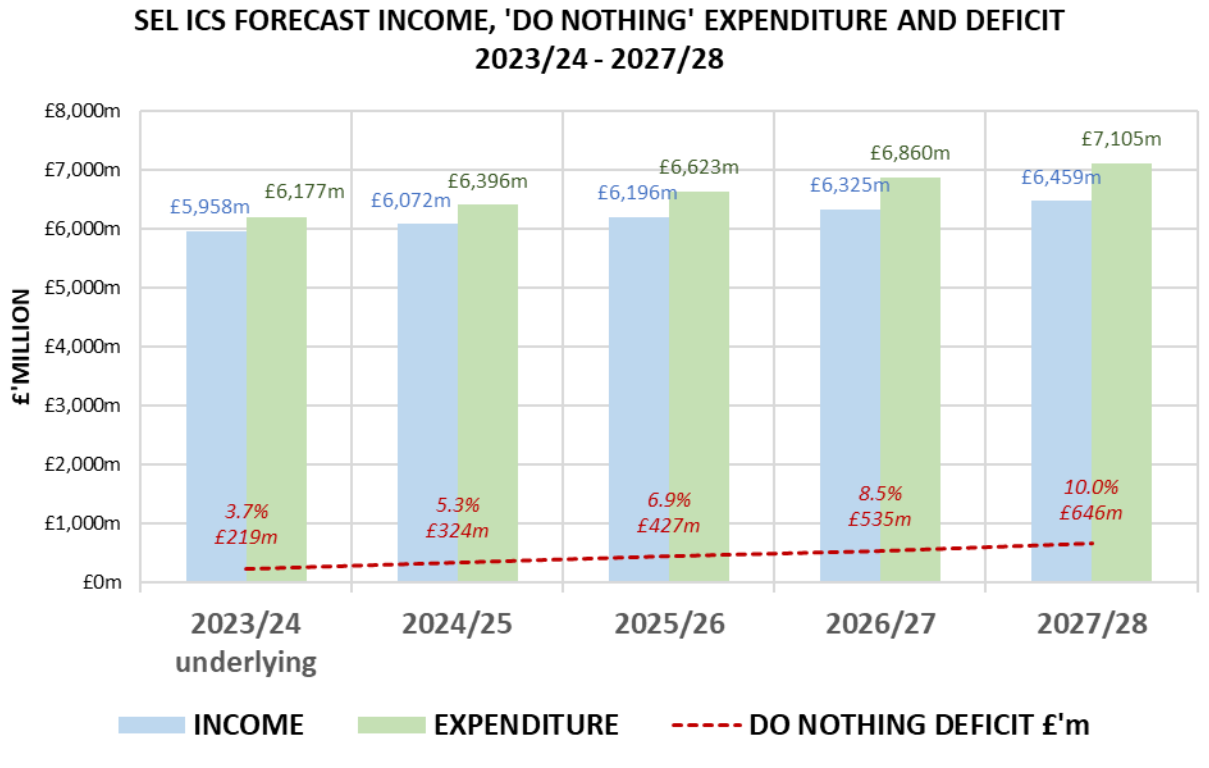
- Looking ahead, there are continuing **significant changes to the NHS financial framework** particularly in relation to the **delegation of specialised commissioning** to ICBs, accompanied by a shift to **population rather than host provider-based funding**. These are expected to increase SEL ICB's allocation by approximately 20% but with a reduced level of funding compared to current spend reflective of population need. The funding outlook for specialised services is challenging due to the complexities associated with disaggregating national spend to populations and the expected funding shifts away from London ICBs and providers, so the increased allocation masks a material carry forward uncertainty and a likely financial challenge.

- The medium-term financial outlook for the NHS remains uncertain, but we can expect the **continued shift to a lower growth environment** and with **continued convergence adjustments**. As more information is made available, we will need to **flex our plans** accordingly to address changing assumptions, requirements and priorities.

- Fundamentally **we need to secure a shift in focus across our system to one of productivity improvement and cost base reduction rather than income growth.**

What happens if we do nothing?

- As a system we are committed to the delivery of a sustainable recurrently balanced financial position over the medium term.
- A **'do-nothing' scenario** has been modelled which shows that without the delivery of efficiencies and savings, we will have very large **unmitigated system deficits that rise over the next few years.**
- This will require significant mitigations including efficiencies associated with tariff uplifts, managing demographic growth, plus savings to offset convergence, covid funding reductions and cost pressures, plus demand management to support us meeting population needs within a needs-based funding formula.
- We have been working to assess actual expenditure and are undertaking further work around forecast expenditure, savings and productivity and efficiency opportunities that will underpin our 2024/25 plans and forward MTFS.



- In support of this wider MTFS we have undertaken work to understand and quantify future financial recovery and opportunities. This work has identified some examples of cost variation and efficiency improvement opportunities, including the **covid period productivity gap and opportunities associated with Workforce; Urgent & Emergency Care; Clinical productivity; Estates; Procurement; Mental Health; Commercial income.** We are taking forward these opportunities via system wide groups and the opportunities will be embedded within our forward plans.
- The likely scale of required efficiencies going forward means however that we are going to need to identify more ambitious and far-reaching savings opportunities to those identified through our work to date, with the need for the ICB to focus on cost out rather than income in.

Our allocative approaches

Our MTFS has been built on a set of assumptions guided by previous national indications, where available, and local priorities and approaches. These will need to be updated annually as allocations are provided to systems and as our strategic objectives and recovery plans are further developed. Our allocative approach is set our below.

- **ICB INCOME ASSUMPIONS**:
    - **Core allocation growth** in line with published allocations for 2023/24 and 2024/25 and 3.4% per annum thereafter.
    - **Reduction in Covid income** from £100m in 2022/13 to £22m in 2023/24, £21m in 2024/55 and zero thereafter.
    - Retained **elective recovery fund budget at** 2023/24 levels
    - Reductions in the allocation each year recurrently associated with **convergence savings,** by £217m over the 5 years from 2023/24

- **ICB INVESTMENT ASSUMPTIONS:**
    - We have assumed that **national guidance will continue to set prescribed uplifts** linked to ICB overall allocation growth for many areas of ICB spend, including mental health, and delegated primary care.
    - We have assumed a minimum uplift of tariff uplifts + 0.5% for community services, primary care prescribing and continuing care.
    - We have earmarked recurrent resources each year to allow further **investment in health inequalities prevention** – we will aim to secure a **recurrent investment budget of approximately £135m by 2027/28**. This will feed through into investment across our providers and budgets, noting we will need to keep under review the pace and scale of ambition in the light of the overall financial position and context.
    - We will target our investment to align with our approaches to **levelling up and addressing variation in spend when compared to weighted population need,** noting this may result in disproportionate investment in a particular area or place e.g. for mental health.
    - Forward investments will be subject to **rigorous assessments of return on investments**, highlighting in particular a **focus on reducing health inequalities, delivery of measurable benefits and delivery timelines** alongside the application of value for money and reprioritisation approaches across core budgets. **Post investment review processes** will be initiated. We will also seek to secure more rigorous approaches to understanding and improving the efficacy of existing spend.
    - All areas of ICB spend will be expected to contribute towards the delivery of **convergence savings** to help bring the system to financial balance on a sustainable basis.
    - **Reduction in Covid spend**, in line with expected reductions in our allocation.
    - The balance of investment is applied to acute services, after funding national prescribed uplifts and local priorities, as set out above. **Acute sector funding will fall over the period**, particularly because of reductions in Covid funding and the impact of convergence savings on acute providers.
    - The **impact of excess inflation has been excluded** from our assessments - our assumption is that additional expenditure will be matched by ICB income increases in this area.

Financial recovery and sustainability

South East London Integrated Care System

We are adopting a tiered approach to financial recovery planning and delivery, with shift from levels 1/2 to 3/4

Increasing need to share ideas / opportunities

Level	Description	Examples
Level 4 **System Change**	**System-led Strategic & Structural change Initiatives** The configuration of services across the System is changed to create a lower cost of supply, whilst continuing to meet an agreed level of demand.	*Service Reconfiguration* *Service Rationalisation* *Pathway redesign* *Shared Back Office*
Level 3 **System Collaboration**	**Improvement that requires System Partners to collaborate** System partners agree to consolidate purchasing power, agree standardisation and consolidate across multiple providers. Share a single staff bank for SEL, set rates and agree exceptions at System-level.	*Procurement collaboration* *Single Staff Bank* *Single Rate Card* *Common Formulary*
Level 2 **Provider Collaboration**	**Common improvement initiatives, productivity improvement** Multiple organisations doing the same change share & agree a standard approach, share lessons to minimise duplication of effort; delivery is done individually.	*Theatre Optimisation* *OP modernisation* *UEC Pathways / LoS*
Level 1 **Local CIPs**	**Local Divisional/Organisational Cost Improvement Schemes** Savings plans specific to individual organisations, identified and delivered locally. No collaboration or external involvement is required.	*Establishment reduction* *Lower cost contracts* *Income margin generation*

Increasing complexity, risk and uncertainty level

2024/25 priorities & approach

- Optimising levels 1 & 2 - priority focus on addressing the implied productivity gap we currently have in terms of spend, workforce (WTEs) and activity, plus driving remaining quick win efficiency opportunities identified by our work on transactional and care pathway savings opportunities.
- Developing (by end Q2) our plans for levels 3 and 4 - system collaboration and system change – as the key areas of focus for years 2-5, alongside the continued implementation of local and provider collaborative cost improvement plans on a full year effective and remaining opportunity basis.
- Continued investment in agreed strategic priorities – prevention and inequalities, mental health, children and young people and community-based care - with a renewed emphasis on return on investment and improved value/productivity within these services.

Meeting our ambition – enablers

In order to secure our financial and strategic objectives, **our approach will need to evolve** over the planning period:

- **A short-term focus on provider and provider collaborative cost improvement approaches that target productivity improvement** (with associated cost base reductions) plus targeted savings around identified transactional and care pathway opportunities.
    - It is clear that the **acute sector particularly will continue to be under significant financial and service pressure** resulting from underlying deficits, convergence requirements and demand & capacity imbalances but with **significant opportunities associated with the covid period productivity gap**. As a result, there will **need to be collaboration across the acute sector,** for example around managing capacity on a system basis to drive efficiency and best use of available capacity, taking coordinated and systematic action to address variation and improve productivity and efficiency - we will be working to ensure a set of consistently applied improvement plans and expectations across our acute sector.
    - Whilst our **mental health sector will continue to receive investment through the mental health investment standard, but we will need to maximise productivity and care pathway improvement opportunities across these services**, including ensuring that the development of community services (supported by significant transformation investment) and crisis alternatives help reduce pressure and cost within our acute sector, plus within mental health on bed demand and out of area placements.
    - We will need to **maximise opportunities at place level** including operating at scale, working at neighbourhood rather than practice level, refocusing core spending, working at scale to deliver efficiencies, breaking down barriers between funding sources (e.g. pooled budgets) and developing integrated multi-disciplinary neighbourhood teams that break down organisational barriers and reduce duplication and drive forward integration opportunities. The objective will be to maximise return on investment and impact of community-based care, to support acute cost base reductions whilst also improving population health and outcomes, including demand management and containment, admission avoidance and supported discharge.

- A **medium-term focus on more fundamental change**, looking at less transactional and more fundamental collaboration opportunities and potential system changes with **regards service provision, models of care, site and services configuration**. We will be undertaking the work to focus on these areas during 2024/25.
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- We will work to a set of **financial principles** to secure the ways of working and approaches required to underpin our ambition including:
    - Openness, transparency and peer challenge,
    - Demonstrating return on investments linked to improved outcomes and linkage to our strategic priorities, in particular addressing health inequalities.
    - A minimum efficiency expectation of 3% per annum and more in some years as required
    - Collaborative approaches to investment across the ICS
    - The sharing of financial management capacity and resources across organisations to help leverage the improvements required

- Alongside **enhanced system wide governance and enabling architecture** for managing and monitoring agreed improvement plans. As a system we will also consider whether **alternative funding and payment mechanisms** can incentivise collaborative working.

South East London Integrated Care System

How will our spend change by 2027/28?

NHS South East London