

## Sustainability and Transformation Fund 2016/17

### Criteria to access the fund

1. The planning guidance introduced a £1.8 billion Sustainability and Transformation Fund (STF) for 2016/17 to support providers' move to a sustainable financial footing.
2. This note sets out the principles underpinning the deployment of the STF. The overarching objectives for the STF include:
  - to reduce the number of providers that are in deficit in 2016/17 and enable the provider sector to deliver its overall control total in 2016/17;
  - to accelerate the recovery trajectory of those providers in deficit;
  - to demonstrate progress towards the achievement of the constitutional service standards;
  - eligible providers must have a recovery plan in place that demonstrates how they deliver a breakeven position or better within a reasonable timeframe.
3. In addition to these, as a condition of the overall funding being approved, the NHS has to demonstrate tangible progress towards a credible plan for achieving seven day services for patients across the country by 2020. Recipients of funding will be expected to continue to make progress towards achieving seven day services in 2016/17 in line with agreed plans.
4. Ambulance trusts will need to be able to demonstrate full engagement in the ARP pilots and the UEC review.
5. Providers eligible for funding must meet the following criteria:

**Table 1: STF Criteria /Measurement**

Objective	Criteria / Measurement
Provider deficit reduction / surplus increase	Q1-Q4: Delivery of the YTD provider plan profile of the control total.  Plans to include milestones for Carter implementation and Agency spend reduction.
Access standards	Q1: Agreement of stretching, but credible improvement plan including milestones with NHSI and NHSE to deliver on core standards including accident and emergency four hours, RTT 92%, and 62 day Cancer.  Q2-Q4: Delivery of agreed milestones in plan

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6. The STF funding will be ring fenced as 'pass through' payments to providers in addition to normal contractual payments from its lead commissioner.
7. Release of the funding will be subject to a quarterly review process in arrears. This review process will cover delivery against the STF conditions only. Access to funding will be through the monitoring system set out below in advance of any funds being paid.
8. Providers that meet the conditions of the fund will not face a 'double jeopardy' scenario whereby they incur contract penalties as well as losing access to funding; a single penalty will be imposed.

**Access to STF funding will operate on the following basis:**

- the financial control totals are a binary on/off switch to secure STF funding – i.e. having achieved the year-to-date control total in a quarter, the organisation becomes eligible for funding, the size of which is determined by the level of success with the other criteria;
  - achievement of the yer-to-date financial control total for the quarter is weighted at a minimum of 70% dependant on the range of agreed performance trajectories;
  - the yer-to-date financial control total being measured is excluding any STF funding, hence avoiding any a situation where a provider is penalised twice for a single issue i.e. withholding a proportion of the fund because of a performance failure that results in the provider missing its financial control total;
  - performance against agreed trajectories is weighted at 30%, with RTT and accident and emergency accounting for 12.5% each, Cancer 62 days at 5%. Diagnostics has also been included as improvement trajectories were collected but will carry a 0% weighting.
9. We are assuming that the current collaborative approach adopted by providers to engaging with STPs will continue and therefore does not require further incentivisation through the STF. We will therefore not be linking payment to STP engagement as originally proposed but will keep provider engagement in the STP progress under review. Access to allocation growth in 2017/18 by Clinical Commissioning Groups (CCGs) will remain conditional upon sign off a STP by Quarter 4 locally by NHS Improvement (NHSI) and NHS England (NHSE).
  10. Providers will receive the STF if they have performance that achieves the agreed trajectory or if it delivers the national standard. This is to ensure that we do not disincentivise providers from agreeing plans that go further than just the national target but without putting at risk the funding.

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### Tolerances

#### *Access standards*

11. It was agreed that the approach should introduce a tolerance on delivery of the Improvement Trajectory and that the tolerance should be weighted towards the earlier part of the year when current performance is expected to be turned around and therefore delivery of an absolute trajectory percentage may be less certain. This should ensure that for later in the year the provider should have a much better grip on performance and therefore the tolerance should be less.
12. Table 2 below sets out the proposed tolerance levels that will be applied to the Improvement Trajectories relating to access standards.

**Table 2: Improvement trajectory tolerances**

Period	Tolerance
Quarter 1	None as fund allocated on agreement of trajectories only
Quarter 2	1.0%
Quarter 3	0.5%
Quarter 4	No tolerance

13. So if a provider misses their Improvement Trajectory in Quarter 2 but by less than 1% they will still earn their STF payment for the period but in Quarter 4 they will be expected to achieve the trajectory in full with no tolerance applied.
14. We will develop an approach to exceptional circumstances which provides an objective basis for reopening trajectories for example, for RTT in the event of major movements in the level of GP referrals.

#### *Financial performance*

15. The intention is that there will be no tolerances around the quarterly finance control totals.

### Incentive to earn missed payments

#### *Access standards*

16. It was agreed that the STF should also incentivise providers to over-perform against their agreed trajectories and earn back any parts of the fund that they have failed to achieve in previous periods.
17. The table below sets out how the assessment of performance against trajectory will work each quarter and the criteria that will be applied to earn back payments from previous quarters.

**Table 3: Criteria for Assessing Delivery of Improvement Trajectories**

<b>Metric</b>	<b>% allocation</b>	<b>Monthly assessment</b>	<b>Quarterly assessment</b>	<b>Cumulative (earn back)</b>
<b>Referral to treatment</b>	12.50%	In month assessment of performance against trajectory	Earn back any missed monthly payments in the quarter by the performance exceeding the trajectory by the number of patients missed on a cumulative basis.	Earn back any missed monthly payments in the quarters by the performance exceeding the trajectory by the number of patients missed on a cumulative basis.
<b>Accident and Emergency</b>	12.50%	In month assessment of performance against trajectory	Receive the whole quarter if year to date performance exceeds trajectory	Earn back any missed monthly payments from the previous quarter if at the end of the next quarter the trajectory on a cumulative basis is achieved.
<b>Cancer</b>	5%	In month assessment of performance against trajectory	Receive the whole quarter if quarterly performance exceeds trajectory.	Quarterly data overwrites monthly data therefore there is no earn back on cancer.
<b>Diagnostics</b>	0%	In month assessment of performance against trajectory	Achieve the whole quarter by the performance exceeding the trajectory by the number of patients missed on a cumulative basis.	

*Financial performance*

18. The finance aspect of the STF will operate on a cumulative basis so that if a provider misses the YTD control total in a quarter but achieves the control total in a subsequent quarter it could receive the full amount of funding.

Phasing*Access standards*

19. Performance will be assessed each quarter against each standard on a monthly basis against the monthly Improvement Trajectory for that month.
20. For Quarter 1 the allocation of the fund will be dependent on agreeing Improvement Trajectories and the process for assessment of delivery of the trajectories for the year. So the first assessment of performance against the Improvement Trajectories will be in Quarter 2 and for the months of July, August and September with achievement each month earning a third of the fund for that performance area for the quarter. This should ensure that providers are incentivised to make sure that they do everything they can to deliver the trajectory each month but that if they should fail for one month they can still earn two thirds of the quarterly payment in that performance area as well as earning payment missed from previous quarters as set out above in Table 3.

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#### *Financial performance*

21. Finance will be assessed each quarter against the agreed year-to-date control total. Quarter 3 and 4 will be assessed together and will be based on Quarter 3 actual year-to-date and Quarter 4 forecast outturn. The same process will also be applied to performance against the improvement trajectories but with Quarter 4 performance based on the provider self-assessment of forecast performance which they will provide along with their Quarter 3 finance submission.
22. Quarter 4 cash will be paid on account based on the Quarter 4 forecast outturn and will be subject to adjustment based on outturn and performance at the year end. As a material item the adjustment will be subject to external audit.
23. Delivery against the STF during 2016/17 will be subjected to an annual review process and signed off by the Department of Health (DH)/NHSE/NHSI/HM Treasury along with any recommended changes required for the STF in 2017/18. This review is expected to be complete by the end of June 2017.

#### Underlying assumptions

24. In preparing the Improvement Trajectories it will be vital that there is an agreed set of underlying assumptions regarding the levels of activity and capacity that will be needed to deliver against the trajectory. This will include assumptions around what levels of growth have been assumed in agreeing the trajectory and the implications for access to the STF if growth is higher or lower than assumed and delivery against the agreed trajectory is no longer possible.
25. If a provider or commissioner can demonstrate that there has been a material change in the underlying assumptions, be it an increase in GP Referrals, change in activity delivered or some other factor that means the agreed trajectory could not be achieved during the quarter there is an appeals process to the Regional Directors of both NHSE and NHSI. If the appeal is upheld the provider and commissioner will need to agree a revised trajectory for the remainder of the year. The appeals will be by exception and treated on a case by case basis only.