

WOLVERHAMPTON CCG

Governing Body Meeting 12th April 2016

Title of Report:	Budgets 2016/17
Report of:	Claire Skidmore, Chief Finance Officer
Contact:	Lesley Sawrey, Deputy Chief Finance Officer
Finance and Performance Committee Action Required:	<input checked="" type="checkbox"/> Decision <input checked="" type="checkbox"/> Assurance
Purpose of Report:	<ul style="list-style-type: none"> • To provide the Governing Body with the financial plan for 2016/17, noting adherence to the 16/17 planning rules and flagging risks to the financial position. • To request formal sign off of the 2016/17 Budgets.
Public or Private:	This Report is intended for the public domain
Relevance to CCG Priority:	Strong Financial Management and sound planning and performance
Relevance to Board Assurance Framework (BAF):	Supporting and delivery of the strategic direction of the CCG
<ul style="list-style-type: none"> • Domain 1: A Well Led Organisation 	
<ul style="list-style-type: none"> • Domain 2a: Performance – delivery of commitments and improved outcomes 	The financial plan is set with consideration for the delivery of NHS targets (both constitutional and otherwise) and with a view to supporting the CCG's work to improve outcomes for its population
<ul style="list-style-type: none"> • Domain 2b: Quality (Improved Outcomes) 	The CCG must use its resource to commission services that are safe and of a high quality. When agreeing expenditure regard must be given to the



	quality impact that spending decisions have.
<ul style="list-style-type: none"> • Domain 3: Financial Management 	A robust financial model is essential to the CCG's success. This paper sets out the resources available to the CCG for 2016/17; detailing the financial risks and challenges that the organisation faces.
<ul style="list-style-type: none"> • Domain 4: Planning (Long Term and Short Term) 	The CCG's financial plans reflect its strategy for healthcare in Wolverhampton. This is set with reference to the National mandate, 5YFV and modelling the allocations attributed to the organisation.
<ul style="list-style-type: none"> • Domain 5: Delegated Functions 	



1. Purpose of the paper

The purpose of the paper is:

- To provide the Governing Body with the financial plan for 2016/17, noting adherence to the 16/17 planning rules and flagging risks to the financial position.
- To request formal sign off 2016/17 Budgets.

2. Context and Overview

- 2.1 The Finance and Performance Committee received a paper last month which outlined the planning assumptions, QIPP, risks and mitigations and Budget Holder involvement in setting a balanced financial plan for 2016/17. 2.2 The report confirmed that the CCG was compliant with all of the NHSE planning assumptions and Business rules for finance.
- 2.3 At the time a **draft** National Tariff had been published which indicated an overall net 1.1% inflation, efficiency -2% and inflation 3.1%. The CCG applied such percentages to tariff based/healthcare contracts.
- 2.3 In order to submit a balanced plan the CCG included a QIPP programme of £11.9m, 3.4% of its allocation of which £830k was unallocated (7% of total QIPP).
- 2.4 Risks included within the 2016/17 budgets totalled £5.5m. After adjusting for likelihood of occurrence the risk reduced to £3.75m which was fully mitigated.
- 2.5 Whilst the plan noted by the Governing body last month met planning requirements it was agreed that a further iteration would be brought to the April meeting. Once more was known about a number of outstanding risks to the position. These are discussed in the next section of this paper.

3. Developments in Financial Planning 2016/17 since last submission

Contract Negotiation

- 3.1 At the time of the Finance and Performance Committee contracts had not been agreed with RWT and BCPFT as in both cases unresolved issues have been escalated to Executives. It is pleasing to report that since then, both contracts have now been agreed. Figures negotiated have not placed additional pressure on CCG budgets.

Impact of Tariff

- 3.2 The CSU has provided an in depth analysis of the impact of the draft National Tariff, consultation which closed 10th March 2016. The analysis was undertaken at HRG and POD level. Although the national and regional steer was a net 1.1% inflation, on running the actual draft tariff on the CCG's data the overall inflationary impact identifies a worst case impact of 1.86%, an increase of c £700k on current plans. The



CCG is not unique in this issue as across the geographical area the range of increase is 0.93%-1.90%, the majority being around 1.8%. The CCG believes this additional pressure can be contained within the overall envelope for Healthcare contracts.

Access to Drawdown

- 3.3 The CCG has planned to access £800k of its available drawdown during 2016/17. To date the CCG has not received confirmation from the NHSE that this is agreed.

Scale of QIPP

- 3.4 The CCG has been able to reduce the overall QIPP target to £11.59m or 3.3% of allocation. This is near to the NHSE upper tolerance of 3.5%- 4%, and schemes have been RAG rated as detailed below:

Risk Category	£m	
Plans well developed and/or delivered through contracts by 1.4.16	3.15	
Schemes still to be finalised	6.272	
High risk and/or no plans (includes unallocated)	2.168	

Unallocated QIPP schemes, (£1.59m) currently account for 13.72% of the total QIPP target; a figure well within the NHSE tolerance of 30%.

Additional Risk arising since last Report

- 3.5 Further guidance has been received from NHSE relating to the 1% reserve .The guidance confirms that the 1% reserve must be uncommitted at the start of the financial year. Guidance is clear that the reserve should provide headroom to mitigate financial risk and cannot be paid over to providers to directly support provider financial positions. The default position is that the 1% non-recurrent will only be used to offset pressures within the transformational footprint and the process for the release of these funds is being developed. This further guidance presents a considerable risk for the CCG as expenditure, which had been largely pre-committed against the 1% reserve has now to be included within the general expenditure thus leaving the 1% reserve uncommitted. Section 4, Risk expands further on the potential impact on the CCG’s financial position.

4. Risks and Mitigations

- 4.1 The issues highlighted in the previous section raise risks which need to be incorporated into the risk profile for the CCG. Previously the CCG reported risks of £3.75m balanced by mitigations of £3.785m. Following the update of risk identified within this paper, (most notable being establishing an uncommitted 1% reserve) the risk and mitigations are as follows:



Risks	Full Risk Value £'000	Probability of risk being realised %	Potential Risk Value £'000	Proportion of Total %
CCGs				
Acute SLAs	2,000	75.0%	1,500	23.7%
Community SLAs			-	0.0%
Mental Health SLAs			-	0.0%
Continuing Care SLAs			-	0.0%
QIPP Under-Delivery	2,168	50.0%	1,084	17.1%
Performance Issues			-	0.0%
Primary Care			-	0.0%
Prescribing			-	0.0%
Running Costs			-	0.0%
BCF	1,500	70.0%	1,050	16.6%
Other Risks	3,375	80.0%	2,700	42.6%
TOTAL RISKS	9,043	70%	6,334	100.0%

Mitigations	Full Mitigation Value £'000	Probability of success of mitigating action %	Expected Mitigation Value £'000	Proportion of Total %
Mitigations				
Uncommitted Funds (Excl 1% Headroom)				
Contingency Held	1,785	100.0%	1,785	41.7%
Reserves			-	0.0%
Investments Uncommitted			-	0.0%
Uncommitted Funds Sub-Total	1,785	100%	1,785	41.7%
Actions to Implement				
Further QIPP Extensions			-	0.0%
Non-Recurrent Measures	1,500	100.0%	1,500	35.0%
Delay/ Reduce Investment Plans	500	100.0%	500	11.7%
Mitigations relying on potential funding	500		500	11.7%
Actions to Implement Sub-Total	2,500	100.0%	2,500	58.3%
TOTAL MITIGATION	4,285	100.0%	4,285	100.0%

4.2 The CCG has carefully considered potential mitigations however, is left with a residual, unmitigated risk of £2.049m.

4.3 As a consequence of the risks and mitigations the CCG starts 2016/17 with the following:

	Surplus £m	
Most Likely Case	6.106	No risks or mitigations, achieves control total
Best Case	10.391	Risks do not materialise and mitigations achieved, exceeds control total
Worst Case	(0.228)	No mitigations achieved but risks materialise



5. 2016/17 Budgets

5.1 Following the last plan submission further refinements have taken place in relation to 2016/17 and Appendix 1 details the budgets by service and Budget Holder.

6. RECOMMENDATIONS

The Governing Body is requested:

- To receive and discuss the report
- To note the level of financial risk associated with the proposed 2016/17 budgets.
- To approve and sign off the 2016/17 budget.

Name **Lesley Sawrey**
Job Title **Deputy Chief Finance Officer**
Date: **31st March 2016**



APPENDIX 1 –Summary of 2016/17 Budgets

Budget	Budget Holder	Budget Manager	16-17 Budget £ DRAFT
Programme			
Acute contracts	Steven Marshall	Vic Middlemiss	164,215,506
Community contracts	Steven Marshall	Vic Middlemiss	33,956,636
Community Physios	Steven Marshall	Vic Middlemiss	1,068,384
Ambulance	Steven Marshall	Vic Middlemiss	10,487,987
Mental Health contracts	Steven Marshall	Vic Middlemiss	29,199,846
MH NCA	Steven Marshall	Sarah Fellows	614,400
Other MH	Steven Marshall	Sarah Fellows	3,067,240
CAMHs	Steven Marshall	Sarah Fellows	587,000
LD	Steven Marshall	Sarah Fellows	849,920
WCC Income	Steven Marshall	Sarah Fellows	-1,300,000
Grants	Steven Marshall	Vic Middlemiss	3,444,482
Enhanced Services	Steven Marshall	Vic Middlemiss	2,438,314
Urgent Care	Steven Marshall	Vic Middlemiss	2,502,081
CHC	Steven Marshall	Maxine Danks	8,619,007
OOA Children	Manjeet Garcha	Manjeet Garcha	1,813,139
FNC	Steven Marshall	Maxine Danks	3,227,986
NCA	Steven Marshall	Vic Middlemiss	2,453,727
IFR	Steven Marshall	Vic Middlemiss	365,904
Patient Transport	Steven Marshall	Vic Middlemiss	1,529,690
Continuing Care Children	Steven Marshall	Maxine Danks	535,000
Reablement	Steven Marshall	Steven Marshall	590,517
Prescribing	Manjeet Garcha	David Birch	49,312,149
Oxygen	Manjeet Garcha	David Birch	321,575
Safeguarding	Manjeet Garcha	Manjeet Garcha	632,903
WHIP	Claire Skidmore	Mike Hastings	756,228
CHC Staff	Steven Marshall	Maxine Danks	634,139
Aiming High	Steven Marshall	Steven Marshall	176,000
Interpreting	Claire Skidmore	Mike Hastings	269,600
BCF	Steven Marshall	Vic Middlemiss	6,418,000
Reserves	Claire Skidmore	Claire Skidmore	5,722,270
TOPs	Steven Marshall	Vic Middlemiss	306,219
PEARS	Steven Marshall	Vic Middlemiss	180,726
GP IT	Claire Skidmore	Mike Hastings	679,000
Winter Pressures	Steven Marshall	Dee Harris	1,702,000
Unidentified QIPP	Claire Skidmore	Claire Skidmore	-1,590,522
Other	Claire Skidmore	Claire Skidmore	2,470,948
Running Costs			
Medicines Management	Manjeet Garcha	David Birch	133,632
CEO	Claire Skidmore		1,280,297
Admin	Claire Skidmore	Mike Hastings	246,333
Finance	Claire Skidmore	Lesley Sawrey	502,832
Business & Performance	Claire Skidmore	Mike Hastings	368,866
Continuing Care team(running costs only)	Steven Marshall	Maxine Danks	20,202
Quality & Risk	Manjeet Garcha	Sarah Southall	242,097
Strategy & Solutions	Steven Marshall		843,563
Communications	Claire Skidmore	Mike Hastings	103,900
Clinical Board	Claire Skidmore		312,600
DDGS	Steven Marshall	Andrea Smith	147,000
Charges from CSU	Claire Skidmore	Mike Hastings	1,353,678
			343,813,000
Planned Surplus			6,106,000
Notified RRL			349,919,000



REPORT SIGN-OFF CHECKLIST

This section must be completed before the report is submitted to the Admin team. If any of these steps are not applicable please indicate, do not leave blank.

	Details/ Name	Date
Clinical View		
Public/ Patient View		
Finance Implications discussed with Finance Team		
Quality Implications discussed with Quality and Risk Team		
Medicines Management Implications discussed with Medicines Management team		
Equality Implications discussed with CSU Equality and Inclusion Service		
Information Governance implications discussed with IG Support Officer		
Legal/ Policy implications discussed with Corporate Operations Manager		
Signed off by Report Owner (Must be completed)		

