

WOLVERHAMPTON CLINICAL COMMISSIONING GROUP

Governing Body Meeting – Tuesday 26 March 2019

Agenda item 6

Title of Report:	CCG Finance Plan and Budget for 2019/20
Report of:	Tony Gallagher, 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 present to the F&P Committee the draft financial plan for 2019/20, noting adherence to the planning rules • To highlight the risks contained within the financial position.
Recommendations:	<ul style="list-style-type: none"> • To receive and discuss the report • To note the level of financial risk associated with the proposed 2019/20 budgets. • To recommend to the Governing Body that it should note the financial plan as presented, including the risk and challenges detailed. • To make a recommendation for Budget sign off to the March Governing Body meeting.
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 	<p>– impacting on whether the CCG:</p> <ul style="list-style-type: none"> • has strong and robust leadership;

	<ul style="list-style-type: none"> • has robust governance arrangements; • secures the best value for money; and has effective systems in place to ensure compliance with its statutory functions.
<ul style="list-style-type: none"> • Domain2: Performance – delivery of commitments and improved outcomes 	<p>A key focus of assurance will be how well the CCG delivers improved services, maintain and improve quality, and ensures better outcomes for patients. This includes progress in delivering key Mandate requirements and NHS Constitution standards. 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</p>
<ul style="list-style-type: none"> • Domain 3: Financial Management 	<p>A robust financial model is essential to the CCG's success. This paper sets out the resources available to the CCG for 2019/20; detailing the financial risks and challenges that the organisation faces. Financial management capability and performance, including an assessment of data</p>

1. Purpose of the paper

The purpose of the paper is:

- To present to the F&P Committee the draft financial plan for 2019/20, noting adherence to the revised 19/20 planning rules
- To highlight the risks contained within the financial position.

2. Context and Overview

2.1 Health and Social Care Economy Overview

- There continues to be significant financial challenges within the Health economy particularly as the main Acute provider and Mental Health provider continue to be financially challenged
- The Local Authority remains under significant financial pressure following the announcement of significant savings targets over the next 5 years being £123m over 2015/16 -2019/20.
- The Sustainability and Transformation Plan (STP) has worked to “size the total gap” for the Black Country and give a better view of the economy-wide issues that will need to be addressed over the planning period. WCCG is playing an active part in the development of these plans.
- In February 2019 CCGs were required this year to submit a plan for 1 year, 2019/20.

2.2 NHS Funding settlement

In early January 2019 NHSE issued CCGs with their allocations for 5years from 2019/20. Allocations were designated as confirmed for 2019-22 and indicative thereafter as detailed below:

	£'000	£'000	£'000	£'000	£'000	£'000
Allocations	18/19	19/20	20/21	21/22	22/23	23/24
Core CCG	360,146	382,540	400,035	417,446	434,477	450,910
Delegated PC	36,552	39,275	41,204	43,576	45,484	47,448
Programme total	396,698	421,815	441,239	461,022	479,961	498,358
RC	5515	5,516	4,865	4,865	4,865	4,865
CCG Total	402,213	427,331	446,104	465,887	484,826	503,223
Core %		6.22%	4.57%	4.35%	4.08%	3.78%
Delegated %		7.45%	4.91%	5.76%	4.38%	4.32%
overall Programme%		6.33%	4.60%	4.48%	4.11%	3.83%
RC %		0.02%	-11.80%	0.00%	0.00%	0.00%

Within the notified allocations for 19/20 there is targeted allocation for Ambulance services of £366k. As a consequence the percentage growth remaining for non-targeted services is c 5%.

Planning assumptions for 2018/19 Budgets

3.1 The revised planning guidance confirms the following key elements and requirements for CCG plans:

- Tariff inflation 3.8%
- Tariff efficiency (1.1)%
- Application of Ambulance specific allocation of £366k
- Application of £352k specific allocation for Peri Natal Mental Health services
- Minimum cumulative historic underspend to be 1%
- Local contingency to be a minimum 0.5%
- Minimum in-year position is break even prior to agreement of drawdown of historic underspend
- Admin costs to remain within allocation
- MHIS (Mental Health Investment Standard) to be delivered including the additional 0.7% growth
- Better Care Fund minimum contribution must be complied with
- Drawdown only with permission of NHSE
Removal of the requirement for any portion of the allocation to be spent non recurrently. Although there is no requirement for the CCG to spend recurrent resource non recurrently (previously 1% reserve) although NHSE have advised the CCG should maintain 1% underlying surplus.

In addition to the above requirements there have been considerable changes to the National tariff such as:

- Revision to Market Forces Factor (MFF), to be phased over 3 years
- Greater granularity in coding for Maternity and deliveries
- Incorporation of MRET (Marginal Rate Emergency Threshold) and Readmissions into tariff
- Incorporation of 1.25% of CQUIN into tariff, leaving 1.25% for schemes to be specified
- A new blended payment for Emergency care
For planning purposes the CCG's LTFM (Long Term Financial Model) has applied the overall growth in line with the Business Rules and growth, inflation and efficiency assumptions as identified in the tables on the following page.

ONS POPULATION STATISTICS - MOST LIKELY		Other Factors impacting on contract growth - MOST LIKELY	
Demographic Changes (%)	0.58%	Demographic Changes (%)	0.58%
Demographic Changes (population)	260.3	Demographic Changes (population)	260.3
	19/20		19/20
Prescribing	0.58%	Prescribing	3.80%
Prescribing Other		Prescribing Other	
Reserves		Reserves	
Mental Health	0.58%	Mental Health	4.02%
Mental Health Income		Mental Health Income	
Non NHS MH	0.58%	Non NHS MH	1.50%
LD	0.58%	LD	1.50%
Community Contracts	0.58%	Community Contracts	2.00%
Community Other	0.58%	Community Other	3.00%
Continuing Care spend	0.58%	Continuing Care spend	7.60%
Secondary or Tertiary acute care	0.58%	Secondary or Tertiary acute care	2.00%
RWHT	0.58%	RWHT	2.00%
West Midlands Ambulance	0.58%	West Midlands Ambulance	3.50%
ETO Reserve		ETO Reserve	
Running Costs		Running Costs	1.90%
Other CCG spend(no inflation)		Other CCG spend(no inflation)	
Other Primary Care	0.58%	Other Primary Care	2.30%
Other CCG spend	0.58%	Other CCG spend	0.92%
INFLATIONARY ASSUMPTIONS - MOST LIKELY		EFFICIENCIES ASSUMPTIONS - MOST LIKELY	
	19/20		19/20
Prescribing	2.50%	Prescribing	-1.00%
Prescribing Other	2.50%	Prescribing Other	-1.00%
Reserves		Reserves	
Mental Health	3.70%	Mental Health	-1.10%
Mental Health Income		Mental Health Income	
Non NHS MH	3.40%	Non NHS MH	-1.10%
LD	3.70%	LD	-1.10%
Community Contracts	3.75%	Community Contracts	-1.10%
Community Other	3.40%	Community Other	-1.10%
Continuing Care spend	3.40%	Continuing Care spend	-1.10%
Secondary or Tertiary acute care	3.80%	Secondary or Tertiary acute care	-1.10%
RWHT	3.80%	RWHT	-1.10%
West Midlands Ambulance	3.72%	West Midlands Ambulance	-1.10%
ETO Reserve		ETO Reserve	
Running Costs		Running Costs	
Other CCG spend(no inflation)		Other CCG spend(no inflation)	
Other Primary Care		Other Primary Care	
Other CCG spend	3.40%	Other CCG spend	-1.10%

Growth has been based on two elements, demographic (ONS) projections as provided by Public Health, and non ONS projections derived from trend analysis. The table below details the impact on each component of the CCGs allocation following the adoption of these assumptions.

	b/f recurrent	Inflation	Efficiency	ONS Growth	Non ONS growth	Developments	QIPP	Total 19/20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Programme costs	360,146	12,266	- 3,738	2,005	9,251	15,247	- 12,435	382,742
Delegated Primary Care	36,552	1,243	- 402	212	336	2,069	- 735	39,275
Running Costs	5,515	-	-	-	104	-	- 305	5,314
Total as per LTFM M9v5	402,213	13,509	- 4,140	2,217	9,691	17,316	- 13,475	427,331

3.3 In addition to the elements above the CCG has considered activity trends over the last few years and has incorporated the following into the plan submission:

	FOT	Final Figure	Grwoth post QIPP	Growth Percentage
Total Referrals (General and Acute)	83856	86004	2148	2.56%
GP Referrals (General and Acute)	57628	58727	1099	1.91%
Other Referrals (General and Acute)	26228	27277	1049	4.00%
Total Consultant Led Outpatient Attendances	217243	217751	508	0.23%
Consultant Led First Outpatient Attendances	84474	85459	985	1.17%
Consultant Led Follow-Up Outpatient Attendances	132769	132292	-477	-0.36%
Total Outpatient Appointments with Procedures*	36250	38026	1776	4.90%
Total Elective Admissions	26463	27119	656	2.48%
Total Elective Admissions - Day Case	22991	23637	646	2.81%
Total Elective Admissions - Ordinary	3472	3482	10	0.29%
Total Non-Elective Admissions	28869	29134	265	0.92%
Total Non-Elective Admissions - 0 LoS	9116	9370	254	2.79%
Total Non-Elective Admissions - +1 LoS	19753	19764	11	0.06%
Total A&E Attendances excluding Planned Follow Ups	156768	158492	1724	1.10%
Type 1 A&E Attendances excluding Planned Follow Ups	92020	93032	1012	1.10%
Other A&E Attendances excluding Planned Follow Ups	64748	65460	712	1.10%

- 3.5 NHSE has also introduced more stringent testing to ensure that CCGs are achieving the Mental Health Investment Standard. Achievement of the standard is a key metric (section 3.1). As such the CCG is required to increase it's spending on such services by at least the same percentage as growth received and for 19/20 to achieve 6.8% increase. The CCG is anticipating achieving the MHIS in its plan.

Furthermore, the compliance with the MHIS in 17/18 will be audited during the late summer. Grant Thornton will be undertaking the audit, the scope of which has been set out by NHSE.

4. QIPP

- 4.1 In order to submit a balanced, assured plan for 19/20 the CCG has included a QIPP programme of £13.5m, 3.2% of its allocation. This is an extremely stretching target. The table below summarises the CCG QIPP challenge.

Scheme Title	Net 19/20 value (£s) [as included in CCGs financial plan i.e. CCG risk assessed value]	Recurrent/Non Recurrent	Overall Rating
1. Review of Stroke Therapy	£ 98,000	R	Medium Risk
2. Contractual Changes	£ 500,000	R	Low Risk
3. EOL	£ 650,000	R	Low Risk
4. Respiratory Right Care	£ 239,000	R	Medium Risk
5. Diabetes Right Care	£ 111,000	R	Medium Risk
6. Paediatric Right Care	£ 600,000	R	Low Risk
7. Falls Service Redesign	£ 200,000	R	Medium Risk
8. Care Closer to Home	£ 1,015,000	R	Medium Risk
9. Managing Growth	£ 1,225,645	R	Low Risk
10. Demand Management - Peer Review	£ 100,000	R	Medium Risk
11. Decommissioning of Blakenhall Resource Centre/Grove	£ 215,698	R	Medium Risk
12. APMS Procurement	£ 735,000	R	Low Risk
13. Running Costs	£ 305,000	R	Low Risk
14. Risk/Gain Share Benefit	£ 1,000,000	R	Low Risk
15. Realignment of budgets MSMG	£ 20,000	R	Low Risk
16. Realignment of of budgets LA budget	£ 35,000	R	Low Risk
17. Realignment of budgets CHC	£ 374,000	R	Low Risk
18. Realignment of budgets	£ 417,000	R	Low Risk
19. Realignment of budgets	£ 470,000	R	Low Risk
20. Realignment of budgets LD	£ 896,000	R	Low Risk
21. UCC additional funding no longer required	£ 1,000,000	R	Low Risk
22. Biosimilar switch to best value biologic - adalimumab & Rituximab	£ 1,106,000	R	Low Risk
23. Repeat Prescription Management	£ 50,000	R	Medium Risk
24. Drugs of Low clinical Value items	£ 60,000	R	Low Risk
25. Prescribing - Not to routinely prescribe OTC medicines for self limiting conditions	£ 100,000	R	Low Risk
26. Prescribing efficiencies	£ 1,350,000	R	Low Risk
27. Tapering Biologics in Rheumatoid Arthritis	£ 86,000	R	Low Risk
28. Right Care Diabetes Prescribing	£ 60,000	R	Low Risk
29. Right Care Respiratory Prescribing	£ 147,000	R	Low Risk
30. Unidentified QIPP	£ 308,657		Low Risk
TOTAL	13,474,000		

As at 12.2.19

The QIPP programme is currently split as follows:

	£'000	%
Acute Services	7,865	58.4%
Mental Health	1,564	11.6%
Community	-	0.0%
CHC/FNC	375	2.8%
Prescribing	2,323	17.2%
Co Commissioning	735	5.5%
Running Costs	305	2.3%
Total allocated	13,167	97.7%
Unallocated	309	2.3%
Total	13,476	100.0%

4.2 Delivery of the portfolio of QIPP schemes presents a significant challenge and risk to the CCG and the Programme Boards continue to develop and agree schemes to deliver the target (see risk section). The level of unidentified QIPP is 2.3% of the overall QIPP programme. The CCG has benefited from most of the “quick win” schemes and has now to be creative in developing solutions to bridge the gap. This will be challenging and although difficult is considered achievable.

5. Budgets and budget sign off

5.1 Within the LTFM and the recent planning submission the CCG has developed its budgets to meet the planning requirements. Below is an extract from the February 19 submission. Budgets are currently based upon the Month 9 forecast outturn. It is acknowledged that there may be some movement between M9 and M12 and as such in the sign off process a statement has been included for Budget Holders to confirm that any material changes incurred between months 9 and 12 will be reflected before budgets are uploaded to the ledger.

5.2 Running Cost Budgets

Budget Holders have been engaged in setting budgets, confirming their establishment and non-pay requirements. The main outstanding issue for Running Costs is the requirement to identify cost reductions equivalent to 20% of the 17/18 Running Cost allocation by 1.4.20. For the CCG this requires a reduction of £651k of which QIPP has been identified to the value of £305k in 19/20 with the balance to be identified in 2020/21

5.3 Programme Budgets

Programme budgets have been calculated based on the planning assumptions and known changes. Other Healthcare budgets have been discussed with Budget Holders and are in the process of sign off.

Revenue Resource Limit		
£ 000	2018/19	2019/20
Recurrent	402,281	427,331
Non-Recurrent	8,464	-
Total In-Year allocation	410,745	427,331
Income and Expenditure		
Acute	200,529	206,290
Mental Health	39,400	40,106
Community	40,748	44,899
Continuing Care	14,794	15,743
Primary Care	53,867	56,831
Other Programme	19,375	16,686
Primary Care Co-Commissioning	36,571	39,275
Total Programme Costs	405,285	419,830
Running Costs	5,460	5,316
Contingency	-	2,186
Total Costs	410,745	427,331
£ 000		
Underspend/(Deficit) In-Year Movement	0	0
In-Year (RAG)	GREEN	GREEN
Net Risk/Headroom		-
Risk Adjusted Underspend/(Deficit)		0
Risk Adjusted Underspend/(Deficit) (RAG)		GREEN
Underlying position - Underspend/ (Deficit)	7,519	3,899
Underlying position - Underspend/ (Deficit) %	2.1%	1.0%
Contingency	-	2,186
Contingency %	-	0.51%
Contingency (RAG)		GREEN
Notified Running Cost Allocation	5,560	5,516
Running Cost	5,460	5,316
Under / (Overspend)	100	200
Running Costs (RAG)	GREEN	GREEN
Population Size (000)	279.5	282.3
Spend per head (£)	19.53	18.83
Key Planning Assumptions		
	2018/19	2019/20
Notified Allocation Change (£'000)		22,327
Notified Allocation Change (%)	3.3%	6.1%
Tariff Change - Acute (%)	0.1%	2.7%
Tariff Change - Non Acute (%)	0.0%	2.0%
Demographic Growth (%)	0.5%	0.6%
Non Demographic Growth - Acute (%)	1.8%	2.1%
Non Demographic Growth - Cont.Care(%)	7.0%	7.0%
Non Demographic Growth - Prescribing (%)	5.0%	3.7%
Non Demographic Growth - Other Non Acute (%)	2.0%	2.0%
Mental Health Investment Standard		Y
Net Efficiency Savings		
	2018/19	2019/20
Recurrent (inclusive of full year effect)	13,947	13,476
Non-Recurrent	-	-
Total	13,947	13,476
% of Notified Resource	3.5%	3.2%
Unidentified	-	309
% Unidentified	0.0%	2.3%
BCF Minimum Pooled Fund	18,528	18,859
RAG	GREEN	GREEN
BALANCE SHEET memorandum - Movement on historic underspend/(deficit)		
	2018/19	2019/20
Brought forward underspend/(deficit)	9,986	9,986
Adjusted for in-year (drawdown)/draw-up	-	-
In-year change from plan/In-year deficit	0	0
Balance carried forward	9,986	9,986
Underspend/(Deficit) %	2.7%	2.6%
Underspend (RAG)	GREEN	GREEN
Allowable drawdown within business rules	6,329	6,105
Validation		
Risk Adjusted Underspend/(Deficit) Cumulative		9,986
Risk Adjusted Underspend/(Deficit) %		2.6%
Risk Adjusted Underspend/(Deficit) (RAG)		GREEN

6. Risk and Mitigations

6.1 The CCG has identified risks included within the 2019/20 budgets which total £3.05m. The key risks are as follows:

- £750k relates to potential level of overspend in the Acute Sector, a somewhat lower figure than 18/19 in anticipation of the agreement of an Aligned Incentives contract.
- £500k in relation to the volatility of Mental Health services particularly individual cases and NCAs.
- £500k associated with Prescribing and the volatility within this budget particularly around NCSO and QIPP
- £200k in relation to the uncertainty around Other Programme Services such as NHSPS.
- £1.1m potential slippage in QIPP schemes

6.2 The CCG has identified mitigations for risks as detailed below.

- £1.95m - as in 2018/19 the CCG will utilise all of the Contingency reserve to offset overspends if they arise.
- £1.1m of further efficiency extensions.

2019/20		RISKS (enter negative values only)						MITIGATIONS (enter positive values only)								TOTAL NET (RISK) / MITIGATION	Of Which: RECURRENT	
CCG RISKS & MITIGATIONS	Plan	Contract	Efficiency	Performance Issues	Prescribing	Other	TOTAL RISKS	Contingency Held	Contract Reserves	Investments Uncommitted	Further Efficiency Extensions	Non-Recurrent Measures	Delay / Reduce Investment Plans	Other Mitigations	Potential Funding	TOTAL MITIGATIONS		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
REVENUE RESOURCE LIMIT (IN YEAR)	427,154																	
REVENUE RESOURCE LIMIT (CUMULATIVE)	437,140																	
Acute Services	206,290	(750)	(1,000)	0			(1,750)	750			1,000					1,750	0	500
Mental Health services	40,106	0	(100)	0		(500)	(600)	500			100					600	0	500
Community Health Services	44,899	0	0	0			0				0					0	0	
Continuing Care Services	15,743	0	0	0			0				0					0	0	
Primary Care Services	56,831	0	0	0	(500)		(500)	500			0					500	0	
Primary Care Co-Commissioning	39,275	0	0	0			0				0					0	0	
Other Programme Services	16,509	0	0	0		(200)	(200)	200			0					200	0	
Commissioning Services Total	419,653	(750)	(1,100)	0	(500)	(700)	(3,050)	1,950	0	0	1,100	0	0	0	0	3,050	0	1,000
Running Costs	5,316	0	0	0			0	0	0	0	0	0	0	0	0	0	0	0
Unidentified QIPP							0				0					0	0	
TOTAL CCG NET EXPENDITURE	424,969	(750)	(1,100)	0	(500)	(700)	(3,050)	1,950	0	0	1,100	0	0	0	0	3,050	0	1,000
Contingency	2,186																	
IN YEAR UNDERSPEND / (DEFICIT)	0																	
CUMULATIVE UNDERSPEND / (DEFICIT)	9,986																	

6.3 As a consequence of the risks and mitigations the CCG starts 2018/19 with nil net risk.

	Surplus £m	
Most Likely Case	9.986	No risks or mitigations, achieves control total
Best Case	13.036	Risks do not materialise and mitigations achieved, achieves control total
Worst Case	6.936	No mitigations achieved but risks materialise CCG misses control total

7. CONCLUSIONS

Whilst the CCG financial plan for 2019/20 meets all the planning requirements and can withstand the mitigation of a certain level of risk there are still a number of variables that, without their resolution, place undue additional risk on the position that may make it undeliverable. In summary these are:

- Risk associate associated with continued NCSO
- Impact of any EU withdrawal consequences.
- Future funding of TCP and potential impact on the Local Authority
- Changes to the responsible commissioner for Specialised Commissioning portfolio

8. RECOMMENDATIONS

The Finance and Performance Committee is requested:

- To **receive** and **discuss** the report
- To **note** the level of financial risk associated with the proposed 2018/19 budgets.
- To **recommend** to the Governing Body that it should note the financial plan as presented, including the risk and challenges detailed.
- To **make a recommendation** for Budget sign off to the March Governing Body meeting.

Name **Lesley Sawrey**
Job Title **Deputy Chief Finance Officer**
Date: **12th February 2019**

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)		