

WOLVERHAMPTON CCG

GOVERNING BODY
14th February 2017

Agenda item 12

Title of Report:	Finance Plan and Budgets 2017/18
Report of:	Claire Skidmore – Chief Finance and Operating Officer
Contact:	Claire Skidmore – Chief Finance and Operating Officer
Governing Body Action Required:	<input checked="" type="checkbox"/> Decision <input type="checkbox"/> Assurance
Purpose of Report:	<ul style="list-style-type: none"> • To appraise the Governing Body of the finance plan and budget for 2017/18, noting the risks inherent in the position. • To seek sign off of the 2017/18 budget for the CCG.
Recommendations:	<ul style="list-style-type: none"> • Receive and note the information provided in this report. In particular, • Note the level of risk inherent in the proposed budget • Sign off the 2017/18 budget • Support the CCG's Executive Team to continue to pursue avenues to close the gap in the QIPP plan and therefore reduce financial risk.

Public or Private:	This Report is intended for the public domain.
Relevance to CCG Priority:	The organisation has a number of finance and performance related statutory obligations including delivery of a robust financial position and adherence with NHS Constitutional Standards.
Relevance to Board Assurance Framework (BAF):	
<ul style="list-style-type: none"> • Domain 1: A Well Led Organisation 	The CCG must secure the range of skills and capabilities it requires to deliver all of its Commissioning functions, using support functions effectively, and getting the best value for money; and has effective systems in place to ensure compliance with its statutory functions. meet a number of constitutional, national and locally set performance targets.
<ul style="list-style-type: none"> • Domain2: Performance – delivery of commitments and improved outcomes 	The CCG must meet a number of constitutional, national and locally set performance targets.
<ul style="list-style-type: none"> • Domain 3: Financial Management 	The CCG aims to generate financial stability in its position, managing budgets and expenditure to commission high quality, value for money services. The CCG must produce a medium to long term plan that allows it to meet its objectives in the future.

1. BACKGROUND

The Finance and Performance Committee at its January meeting was presented with the financial plan for 2017/18, noting adherence to the 17/18 planning rules and flagging risks to the financial position.

NHS England confirmed in December 15 that it has set firm three year allocations for CCGs, followed by two indicative years. NHSE have also confirmed that CCG admin allowances (Running Costs) will remain flat until 20/21. The CCG has now received recurrent allocations as detailed below.

£'000	sign	2016/17	2017/18	2018/19
Programme Baseline Allocation	+ve	337,458	344,217	351,056
Recurrent Changes In-Year	+ve/(-ve)	1,716	1,716	1,716
Primary Care Co-Commissioning	+ve/(-ve)	-	-	-
Running Cost Allocation	+ve	5,555	5,535	5,515
Total Notified Allocation		344,729	351,468	358,287

Detail of the submitted plan is detailed in Appendix 1.

The 2017/18 budget developed from this plan is attached at Appendix 2.

The planning guidance and National Tariff headlines outline the following key elements and requirements for CCG plans:

- Tariff inflation 2.1%
- Tariff efficiency 2%
- HRG4+ incorporated into tariff
- new IR (Specialised Services) have been incorporated into allocations
- Marginal Rate Emergency Tariff remains unchanged at 70%/30%
- Current Market Forces Factor, MFF remains in place
- STP growth assumptions to be used

In addition to the elements on the previous page the planning guidance sets out specific business rules which will need to be met, as follows:

- Commissioners must plan for a cumulative reserve (surplus) of 1%,
- Commissioners must plan to draw down all cumulative surpluses above the 1% in the next three years,
- Commissioners must set aside 1% of their allocation for non-recurrent expenditure. CCGs will be able to access 50% of this reserve with the other 50% being retained and uncommitted,
- Commissioners must set aside an additional 0.5% as contingency,
- Better Care Fund plans for 2017/18 must explicitly support reductions in unplanned admissions and delayed transfers of care and national guidance is awaited,
- CCGs must maintain the Parity of Esteem for Mental Health Services by ensuring growth in spend is at least the same as overall allocation increase (2% for CCG).
- CCGs should ensure that parity is achieved for Primary Care spend. This is a new target and is 2% for the CCG.

Within the plan for 2017/18 the CCG control total set by NHSE gives explicit permission for the CCG to deliver a £1.3m in year deficit. The table on the following page is an extract from the M9 LTFM and demonstrates the CCG's planned and in

year positions and the reduction over two years to reduce the cumulative surplus to 1% of the CCG's allocation as per national planning rules.

PLANNING ASSUMPTIONS						
		16/17	17/18	18/19	19/20	20/21
		£m	£m	£m	£m	£m
Income						
Allocation Forecast		332.2	349.5	356.3	358.3	365.6
Previous Year Carry Forward		7.0	6.2	4.9	3.7	3.7
Growth		11.7	6.8	6.8	7.3	13.2
		350.9	362.4	368.0	369.3	382.5
Expenditure						
Forecast Expenditure (LTFM)		356.0	374.6	375.0	376.8	387.4
QIPP Savings		-11.3	-17.0	-10.7	-11.2	-8.7
		344.7	357.5	364.3	365.6	378.6
In Year Surplus / (Deficit)		-0.8	-1.3	-1.2	0.1	0.1
Cumulative Surplus / (Deficit)		6.2	4.9	3.6	3.7	3.8

The QIPP figure for 17/18 is shown before the non recurrent allocations for HRG4+ and IR. Once received QIPP will reduce to £12.1m.

NHSE has also introduced more rigour in testing that CCGs are achieving the Mental Health Investment Standard and the Primary Care Parity of Esteem. As such the CCG is required to increase its spending on such services by at least

the same percentage as growth received. For Wolverhampton CCG the targets in 17/18 and 18/19 are 2% and 1.99% respectively. The CCG is achieving these percentages in its plan.

2. RISKS AND MITIGATIONS

The CCG has identified risks included within the 2017/18 budgets which total £8.115m. After adjusting for likelihood of occurrence the risk reduces to £5.403m as detailed in the following table. The key risks are as follows:

- £2.915m related to the level of unidentified QIPP. Although at the time of submission it was reasonable to have such a level of unidentified QIPP in reality it is a considerable challenge for the CCG as all “quick wins” have been achieved and any fundamental transformational schemes have a lead in time of up to 1 year. This presents a substantial risk to the CCG.
- £2m associated with over performance within the Acute contracts.
- £1.5m associated with Other Risks which in the main relates to risk associated with IR (Specialised Services). The CCG is continuing to work closely with NHSE and RWT to understand the position with IR.
- £1m BCF where many schemes are transformational in nature and it is prudent to reflect a possible slower than anticipated change in working practices.
- £700k associated with Prescribing and the volatility within this budget.

2017/18				
Risks	Full Risk Value £'000	Probability of risk being realised %	Potential Risk Value £'000	Proportion of Total %
CCGs				
Acute SLAs	2,000	70.0%	1,400	25.9%
Community SLAs			-	0.0%
Mental Health SLAs			-	0.0%
Continuing Care SLAs			-	0.0%
QIPP Under-Delivery	2,915	50.0%	1,458	27.0%
Performance Issues			-	0.0%
Primary Care			-	0.0%
Prescribing	700	80.0%	560	10.4%
Running Costs			-	0.0%
BCF	1,000	50.0%	500	9.3%
Other Risks	1,500	99.0%	1,485	27.5%
TOTAL RISKS	8,115	67%	5,403	100.0%

The CCG has identified mitigations for risks as outlined in the table below.

	Full Mitigation Value £'000	Probability of success of mitigating action %	Expected Mitigation Value £'000	Proportion of Total %
Mitigations				
Uncommitted Funds (Excl 0.5% uncommitted Headroom)				
Contingency Held	1,788	100.0%	1,788	71.9%
Reserves			-	0.0%
Investments Uncommitted			-	0.0%
Uncommitted Funds Sub-Total	1,788	100%	1,788	71.9%
Actions to Implement				
Further QIPP Extensions			-	0.0%
Non-Recurrent Measures	200	100.0%	200	8.0%
Delay/ Reduce Investment Plans	500	100.0%	500	20.1%
Mitigations relying on potential funding	-		-	0.0%
Actions to Implement Sub-Total	700	100.0%	700	28.1%
TOTAL MITIGATION	2,488	100.0%	2,488	100.0%

- £1.788m - as in 2016/17 the CCG will utilise all of the Contingency reserve to offset overspends if they arise.
- £500k – small delay to the Primary Care Strategy implementation.
- £200k – utilisation of SOFP flexibilities and uncommitted drawdown to support the financial position

With the CCG becoming fully delegated on 1.4.17 there will be a requirement for resource to be made available to support Primary Care. The CCG is currently reviewing Running Costs in order to support delegation. However, it is important to note that the CCG's Running Cost allowance is not increasing to reflect delegation and is currently presenting the CCG with a capacity risk which was acknowledged by F&P.

As a consequence of the risks and mitigations the CCG starts 2017/18 with an unmitigated risk of £2.915m and the potential impact for the CCG as follows:

	Surplus £m	
Most Likely Case	4.806	No risks or mitigations, achieves control total
Best Case	7.294	Risks do not materialise and mitigations achieved, achieves control total
Risk adjusted case	1.891	Adjusted risks and mitigations occur. CCG misses control total
Worst Case	(0.597)	No mitigations achieved but risks materialise CCG misses control total

CONCLUSIONS

Whilst the CCG financial plan for 2017/18 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:

- Scale of the QIPP target given that an element is yet to be attributed to specific schemes
- IR presents a large risk to the CCG

RECOMMENDATIONS

1. **Receive** and **note** the information provided in this report.
In particular,
2. **Note** the level of risk inherent in the proposed budget
3. **Sign off** the 2017/18 budget
4. **Support** the CCG's Executive Team to continue to pursue avenues to close the gap in the QIPP plan and therefore reduce financial risk.

Name: Lesley Sawrey
Job Title: Deputy Chief Finance Officer
Date: 31st January 2017

APPENDIX 1 – DETAILED FINANCIAL PLAN

Revenue Resource Limit			
£ 000	2016/17	2017/18	2018/19
Recurrent	344,729	351,468	358,287
Non-Recurrent	(178)	6,045	6,121
Total In-Year allocation	344,551	357,513	364,408
Income and Expenditure			
Acute	180,872	188,228	188,502
Mental Health	36,615	36,610	37,848
Community	35,743	37,606	39,088
Continuing Care	12,766	13,531	14,463
Primary Care	50,011	51,579	54,577
Other Programme	22,989	22,636	22,560
Primary Care Co-Commissioning	-	-	-
Total Programme Costs	338,996	350,190	357,039
Running Costs	5,555	5,535	5,514
Contingency	-	1,788	1,854
Total Costs	344,551	357,513	364,408
£ 000			
Underspend/(Deficit) In-Year Movement	0	-	0
In-Year (RAG)	GREEN	GREEN	GREEN
Net Risk/Headroom		(2,914)	117
Risk Adjusted Underspend/(Deficit)		(2,914)	117
Risk Adjusted Underspend/(Deficit) (RAG)		RED	GREEN
Underlying position - Underspend/(Deficit)	6,815	7,029	7,235
Underlying position - Underspend/(Deficit) %	2.0%	2.0%	2.0%
Contingency	-	1,788	1,854
Contingency %	0.0%	0.5%	0.5%
Contingency (RAG)		GREEN	GREEN
Notified Running Cost Allocation	5,555	5,535	5,515
Running Cost	5,555	5,535	5,514
Under / (Overspend)	-	0	1
Running Costs (RAG)	GREEN	GREEN	GREEN
Population Size (000)	251.7	252.6	253.5
Spend per head (£)	22.07	21.91	21.75
Key Planning Assumptions			
		2017/18	2018/19
Notified Allocation Change (£'000)		6,739	6,819
Notified Allocation Change (%)	3.50000	2.0%	1.9%
Tariff Change - Acute (%)	1.10000	0.1%	0.0%
Tariff Change - Non Acute (%)	1.60000	0.0%	0.0%
Demographic Growth (%)	0.30000	0.3%	0.4%
Non Demographic Growth - Acute (%)	2.50000	1.8%	1.9%
Non Demographic Growth - Cont.Care (%)	6.00000	7.7%	7.6%
Non Demographic Growth - Prescribing (%)	3.00000	4.9%	3.9%
Non Demographic Growth - Other Non Acute (%)	1.90000	2.0%	2.0%
Mental Health Investment Standard		Y	Y
Net QPP Savings			
£ 000	2016/17	2017/18	2018/19
Recurrent (inclusive of full year effect)	10,470	12,094	10,690
Non-Recurrent	70	-	-
Total	10,540	12,094	10,690
% of Notified Resource	3.1%	3.4%	3.0%
Unidentified	1,346	2951	1918
% Unidentified	12.8%	24.4%	17.9%
Non Recurrent Requirement			
£ 000	2016/17	2017/18	2018/19
Value	3,375	3,459	3,528
Agreed plans in place	-	3,460	3,528
Difference	3,375	(0)	(1)
Does 50% of the 1% Non Recurrent Requirement remain uncommitted?		Yes	
BCF Minimum Pooled Fund	17,934	18,351	18,700
RAG	GREEN	-	-

APPENDIX 2 – 2017/18 BUDGET PLAN

Budget	Budget Holder	Budget Manager	17-18 Budget £ DRAFT
Programme			
Acute contracts	Steven Marshall	Vic Middlemiss	174,944,252
HRG 4 + IR NR adjs	Claire Skidmore	Claire Skidmore	4,745,000
Community contracts	Steven Marshall	Vic Middlemiss	33,544,642
Other Community	Steven Marshall	Vic Middlemiss	4,029,138
Ambulance	Steven Marshall	Vic Middlemiss	10,637,547
Mental Health contracts	Steven Marshall	Vic Middlemiss	30,257,223
MH NCA	Steven Marshall	Sarah Fellows	707,567
Other MH	Steven Marshall	Sarah Fellows	3,259,914
WCC Income	Steven Marshall	Vic Middlemiss	-1,300,000
Other MH Programme	Steven Marshall	Sarah Fellows	193,380
LD	Steven Marshall	Sarah Fellows	862,017
Grants	Steven Marshall	Vic Middlemiss	2,187,377
Enhanced Services	Steven Marshall	Vic Middlemiss	2,157,396
Urgent Care	Steven Marshall	Vic Middlemiss	2,721,392
CHC	Steven Marshall	Maxine Danks	9,292,660
OOA Children	Steven Marshall	Margaret Courts	1,408,324
FNC	Steven Marshall	Maxine Danks	3,944,462
NCA	Steven Marshall	Vic Middlemiss	2,830,083
IFR	Manjeet Garcha	David Birch	133,369
Childrens Equipment	Steven Marshall	Maxine Danks	35,770
Patient Transport	Steven Marshall	Vic Middlemiss	1,399,973
SEND	Steven Marshall	Margaret Courts	485,000
Reablement	Steven Marshall	Steven Marshall	449,458
Prescribing	Manjeet Garcha	David Birch	48,083,495
Oxygen	Manjeet Garcha	David Birch	323,695
Safeguarding	Manjeet Garcha	Manjeet Garcha	684,127
WHIP	Claire Skidmore	Mike Hastings	550,612
CHC Staff	Steven Marshall	Maxine Danks	661,581
Aiming High	Steven Marshall	Steven Marshall	150,000
Interpreting	Claire Skidmore	Mike Hastings	288,868
BCF	Steven Marshall	Steven Marshall	9,321,869
MH Payments	Claire Skidmore	Lesley Sawrey	239,805
Primary Care	Steven Marshall	Sarah Southall	611,865
TOPs	Steven Marshall	Vic Middlemiss	316,184
Property Services	Claire Skidmore	Claire Skidmore	513,587
PEARS	Steven Marshall	Vic Middlemiss	314,700
GP IT	Claire Skidmore	Mike Hastings	679,000
Winter Pressures	Steven Marshall	Dee Harris	1,319,122
Unidentified QIPP	Claire Skidmore	Claire Skidmore	-7,930,985
Other	Claire Skidmore	Claire Skidmore	6,924,531
Running Costs			
Medicines Management	Manjeet Garcha	David Birch	163,181
CEO	Claire Skidmore		1,112,615
Admin	Claire Skidmore	Mike Hastings	216,247
Finance	Claire Skidmore	Lesley Sawrey	334,852
Business & Performance	Claire Skidmore	Mike Hastings	670,042
Continuing Care team(running costs only)	Steven Marshall	Maxine Danks	14,117
Quality & Risk	Manjeet Garcha	Sarah Southall	266,720
Strategy & Solutions	Steven Marshall		992,073
Communications	Claire Skidmore	Mike Hastings	103,900
Clinical Board	Claire Skidmore		317,636
DDGS	Steven Marshall	Andrea Smith	117,074
Charges from CSU	Claire Skidmore	Mike Hastings	1,226,543
			357,513,000
Planned Surplus			4,872,165
Notified RRL			362,385,165