

NHS North Cumbria CCG Governing Body	Agenda Item
5 April 2017	08

Financial Plan

Purpose of the Report								
The purpose of the report is to provide the Governing Body with the CCG's Financial Plan for the next two years that will form the basis of the CCG's budget for 2017/18.								
Outcome Required:	Approve	X	Ratify		For Discuss		For Information	X
Assurance Framework Reference: Financial Balance								

Recommendation(s):
The Governing is asked to: <ul style="list-style-type: none"> • note the contents of the report • approve the budget for 2017/18 based upon the plan subject to detailed consideration by the Finance & Performance Committee.

Executive Summary:
<p>Key Risks:</p> <p>The attached report identifies the CCG's financial plan for 2017-19. The CCG is facing a number of cost pressures and therefore achieving the planned position is predicated upon both the CCG achieving it's normal cost improvements along with the wider North Cumbria system delivering significant changes in patient activity to reduce costs. However, the plan is to support delivery through a collectively agreed approach for the NHS to manage risk in North Cumbria that represents a significant change from the "adversarial" approach to contracting.</p> <p>Key Issues:</p> <p>These are covered in detail in the attached report but some key issues in addition to the key risks above:</p> <ul style="list-style-type: none"> • The CCG is planning for a reduced deficit in 2017/18 moving into an in-year operating surplus in 2018/19. • The plans reflect the CCG's status as a level 3 commissioner for primary care (GP

services)

- Clarification is awaited on the operational rules surrounding the increased social care funding, but it is anticipated this will foster improved joint working across health and social care to facilitate reduced time that patients stay in hospital.
- The overall plan is supported by detailed budget workings and contractual agreements with providers. It is proposed that the Governing Body gains assurance on the underlying figures through detailed consideration at the April meeting of the Finance & Performance Committee.

Financial Impact on the CCG:

The purpose of the report is to demonstrate the financial impact on the CCG.

Implications/Actions for Public and Patient Engagement:

There no new implications or actions re public and patient engagement. It is important to note the plans exclude any changes in cost relating to services subject to the recent public consultation considered by the Governing Body on 8 March.

Strategic Objective(s) supported by this paper:	Please select (X)
Support quality improvement within existing services including General Practice	
Commission a range of health services appropriate to Cumbria's Needs	
Develop our system leadership role and our effectiveness as a partner	X
Improve our organisation and support our staff to excel	X

Impact assessment: (Including Health, Equality, Diversity and Human Rights)	No
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Conflicts of Interest Describe any possible Conflicts of interest associated with this paper, and how they will be managed	No conflicts of interest noted
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Presented by	Charles Welbourn, Chief Finance Officer
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Date Report Written	28 March 2017



North Cumbria
Clinical Commissioning Group

Financial Plan

2017-19

March 2017

Introduction

The purpose of this paper is to confirm the CCG's financial plan for 2017/18 and 2018/19 that will form the basis of CCG's budget for 2017/18:

Financial Plan Context

The CCG submitted a two-year financial plan to NHSE on 23 December 2016 along with evidence of agreed contracts with NHS providers. Since submission of the plan work has continued on refining the plan and this report reflects the latest information. The process has required disaggregation of the Cumbria CCG revenue resource allocation and the plans are based upon the methodology approved by the Governing Body in February.

However, the CCG continues to work on updating the supporting work including agreement of contracts with non-NHS providers. Part of the approach to agreeing contracts was that the local NHS organisations acknowledged the very significant level of risk in the system and that the best opportunity to manage this is a collaborative approach. The system is working collectively on this approach and work is nearing completion for April 2017. It is important to acknowledge that the plan, consistent with previous iterations, excludes any changes in costs relating to specific services that were subject to public consultation.

Summary Financial Position 2017/18

The plan is based upon delivery of the in-year deficit for North Cumbria CCG proposed by NHSE for 2016/17. The underlying “north” CCG position excludes the impact of the local price modification and other associated issues at UHMB as this is an issue to be managed by the new Morecambe Bay CCG and its partner organisations as part of “Better Care Together”.

It is noteworthy that the financial risks facing the CCG have increased during 2016/17, with the underlying reasons being a combination of:

- Limited achievement in-year of some of the acute activity related cost improvement programme.
- A number of significant unbudgeted cost pressures including growth in A&E and emergency ambulance activity during 2016/17 and the 40% increase in the cost of NHS funded nursing care.
- Some of the planned cost improvements for 2017/18 were non-recurring in nature

The starting point for the 2017/18 plan is to reflect the underlying activity and costs from 2016/17 and effectively discount the non-recurring benefits (as noted above). The Cumbria CCG recurring allocation and the brought-forward cost base has been reflected in the plan in accordance with the methodology agreed by both Cumbria CCG and Lancashire North CCG. For 2017/18 the CCG has received 2% growth (£8.8 million) on the 2016/17 recurring allocation, showing the CCG to be 2% over target allocation. However, in addition to the underlying pressures brought-forward noted above there are a number of new pressures for 2017/18:

- Growth of 0.8% for tariff (including CNST) and 0.1% for non-tariff services in 2017/18.
- Impact of the defund relating to HRG4+ and the specialised commissioning IR rules exercise (£2.0m and £1.1m) for which the equivalent level of expenditure has not been realised in contract offers from Providers. The initial HRG4+ revenue deduction has been adjusted for a number of CCGs, but as the Cumbria resource deduction (£3.25 million) was less 0.5% of the Cumbria CCG overall allocation then no correction was made for Cumbria. The combined allocation adjustment is leading to a pressure of c£3.0m on the 2016/17 forecast outturn position. When the planning guidance was published this issue was anticipated to be revenue neutral for CCG’s but this is the most significant reason why the CCG has an increased cost improvement plan compared to that originally anticipated when planning commenced.
- Prescribing growth in line with historic patterns allowing for business as usual “CIP”. There are a number of significant areas of work that have been identified across the North East & Cumbria in terms of prescribing policy that should reduce costs and these are included as “stretch targets”. It is noteworthy that the current underlying rate of growth in prescribing is -2% and Cumbria maintains the lowest weighted prescribing costs in the North East & Cumbria. Should this trend continue then the spend in 2017/18 would be around £750,000 below budget.

- The impact of known commitments such as the full-year impact of the PTS contract that was established through EU procurement processes and became operational in July 2016.
- Achievement of the Mental Health Investment Standard which requires a 2% increase in expenditure on Mental Health and Learning Disability services in line with the CCG's growth.
- The CCG's population is expected to remain static over the next 5 years based upon national forecasts, however the CCG has reflected an expectation of demographic and non-demographic growth in activity (in line with previous experience), estimated at a cost of around £3.8 million. A specific issue is the contract for emergency ambulance services which has seen 10% growth in activity in 2016/17. A two-year fixed term contract has been agreed (which reduces marginally in 2018/19) but this means the CCG will not require additional savings in-year should activity increase greater than the planned amount.
- Anticipated growth in specific areas such as CHC and PBR excluded drugs that are retained as contingent sums in specific areas of the plan.
- A number of pressures (around £1.2 million in total) specifically relating to 2017/18, including implementing the GP 5YFV (spread over two years), the impact of the re-procurement of Home Oxygen services, the move to market rent for NHSPS and CHP properties.
- The plan reflects the published CCG running cost allowance based upon the revised "North Cumbria" list size and the planned running costs are within these figures, reflecting the recently agreed staffing structure for the CCG.

Summarising the impact of all these issues generates an overall cost pressure of around £5.8 million if no action is taken. Added to this the CCG is required by NHSE to establish an unallocated contingency of 0.5% (£2.3 million) and two further tranches of 0.5% (£2.3m uncommitted at the discretion of the CCG and £2.3m to be held centrally).

The impact of all these issues culminates in a financial pressure of circa £12.8 million before cost improvements for 2017/18 to reach the NHSE issued control total of £3.1m. It is understood that for 2017/18 this has been set without a requirement to repay the 2016/17 deficit.

Summary Financial Plan

The summary financial plan is shown at Appendix 1, reflecting for 2017/18:

- The cost pressures of £19.1 million
- The impact of the £12.7 million cost improvements.
- An overall “planned deficit” of £3.1 million as per the NHSE “control total”.

The 2018/19 column reflects a similar approach to planning including the “year 2” PCBC impact (which again excludes the financial impact of any issues that are currently subject to consultation).

The detailed working behind the overall plan including the individual elements making up each of the budget lines will be considered by the Finance & Performance Committee in April.

Approach to Contracting

The CCG has agreed contracts with both local providers in the context of a jointly agreed risk share approach working towards a jointly agreed control total. Fundamentally, the most significant risk within this is for the CCG is to be able to restrict acute activity to the “baseline” level before the impact of the “Success Regime” plans and this reflected in the continuation of 2016/17 initiatives, including the 2nd year of the GP quality incentive scheme, reductions in excess bed days and working across providers to avoid undertaking procedures of limited clinical benefit in accordance with agreed commissioning protocols.

NHS Cumbria CCG has agreed contracts with North Cumbria University Hospitals NHS Trust (NCUHT) and Cumbria Partnership NHS Foundation Trust (CPFT) on the following basis:-

1. Baseline assured contract values (Cumbria CCG level only), pass through items (to be varied in line with actual expenditure) and CQUIN at 2.5%, set in the context of an economy wide risk share agreement. Variation to CCG footprints to be actioned and agreed prior to 1 April 2017 for boundary change to Morecambe Bay CCG.
2. Contracts will be monitored in accordance with national reporting purposes, penalties will be monitored during the contract period but financial penalties will not be applied, there will be joint work across the economy in achievement of the national CQUIN standards.
3. All parties have agreed to work collaboratively together in the context of the STP and PCBC to manage system wide control totals, NHS business rules and shared risk within the economy with the partner organisations.

4. The two Trusts and CCG have successfully agreed contracts within the total available resource, based on the concept of a 'system control total' that includes a shared risk approach between the three health bodies, reflects the anticipated activity and costs shifts within the detailed STP plans, and which includes flexible risk mitigation plans to prevent inappropriate shifting of risk between partners.

The CCG has reached agreement on nearly all other NHS contracts and the plan is based upon the agreed Cumbria amount apportioned in accordance with the agreed methodology. The final guidance for the 2017/18 Better care Fund is imminent and this will include how the additional £2 billion (£1 billion in 2017/18) allocated nationally in the recent budget will be applied. It is anticipated that these funds will be used for the purposes of meeting adult social care needs, reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready, and stabilising the social care provider market. Assuming that the funds are applied in this way than this should have a significant impact on the performance and financial risk in the NHS across Cumbria for 2017/18.

From 1 April 2017 North Cumbria CCG have "level three" delegation for managing the NHSE GP primary care budget for North Cumbria. To ensure appropriate governance and transparency of the management of these funds then the CCG has established a Primary Care Committee to oversee the decision making processes. The expected allocation (the majority of which is pre-committed under the national GP contract) is around £46 million. This is shown as an allocation with an equal and opposite expenditure budget in primary care.

"Success Regime Financial Plan"

The impact of the pre-consultation business case (PCBC) expected in "year 1" of the plan has been included as part of the risk share arrangements noted above and is reflected in the CCG's plans. However, as the investment in out of hospital services is being translated into detailed plans then this has not formally been reflected in contracts. For the avoidance of doubt this excludes any proposed changes relating to those services that are subject to public consultation. The plans also assume that the transitional funding outlined in the PCBC will be made available, and that these funds will be included in the full business case to be put forward in 2017/18. The overall impact on the CCG (savings of £7 million and cost growth of £2.1 million) is circa £5 million and plans subject finalised in April when individual workstream plans are consolidated.

Approach to Cost Improvements & Risk

To achieve the NHSE allocated control total for 2017/18 the CCG has an overall cost improvement plan of £12.7 million, as identified in Table 1 below. This is a larger amount than originally forecast as a consequence of the HRG 4 risk and a reflection of the increase in underlying risk brought-forward. Assuming that the plan for 2017/18 is achieved then for 2018/19 the PCBC commissioner savings of circa £5 million would bring the CCG back into an in-year operating surplus.

Table 1

Cost Improvement Programme	2017/18 £'000
Prescribing	-1,400
Success regime: anticipated impact on provider costs N Cumbria	-7,000
Success regime - impact of new pathways outside N Cumbria	-600
Reduced Growth Through Improved case Management	-500
Non-PbR Drugs and Devices	-100
0.5% non-recurrent investment to mitigate HRG4+ pressure	-2,273
Other Non-recurring Measures	-888
Total	-12,761

However, within the plans there are a number of contractually uncommitted sums that remain in reserves at this stage as summarized in Table 2.

Table 2

Funds Not Contractually Committed	2017/18 £'000
Non-PbR Drugs & Devices	600
Acute activity growth reserve	2,100
Other growth & investments	2,233
Uncommitted Contingency	2,295
Sub-total	7,228
0.5% Set Aside Per National Business Rules	2,366
Total	9,594

Recommendation

The Governing Body is asked to:

- Note the North Cumbria CCG financial plan for 2017-2019
- Approve the budget for 2017/18 based upon the plan subject to detailed consideration by the Finance & Performance Committee.

Appendix 1: North Cumbria CCG Financial Plan 2017-19

Financial Plan	Plan 2017/18	Plan 2018/19
Recurring Allocations		
CCG Baseline Allocation	(448,097)	(457,000)
Agreed Adjustments	(341)	(341)
Anticipated Devolved Primary Care Allocation	(46,108)	(46,749)
Running Cost Allowance	(6,932)	(6,883)
Sub-total	(501,478)	(510,973)
Non-recurring Allocations		
HRG4+ & Specialised Commissioning IR adjustments	3,074	3,114
Surplus carried forward	0	0
Sub-total	3,074	3,114
Revenue Resource Limit	(498,404)	(507,859)
Expenditure Budget		
Primary Care		
Devolved Primary Care	46,108	46,749
Prescribing & Medicines Management	55,941	56,663
Other Primary Care	5,478	5,503
Total Primary Care	107,528	108,916
Secondary Care		
NHS Acute Providers	196,898	193,505
Non Contract Activity & Independent Sector	3,882	3,940
Total Secondary Care	200,781	197,445
Mental Health & Learning Disabilities		
NHS Providers	42,441	43,052
Packages of Care	7,484	7,561
Learning Disability Pooled Fund	3,444	3,478
Total Mental Health & Learning Disabilities	53,369	54,090
Services Delivered in the Community		
Community Services	55,105	58,226
Out of Hospital Urgent Care	26,072	26,291
NHS Funded Continuing Care	21,026	21,233
Other Care	6,081	6,124
Total Community Based Services	108,285	111,874
Reserves		
Cost Growth	3,933	5,419
0.5% Non-recurring Investment	2,273	2,318
0.5% Planned Contingency	2,295	2,340
Better Care Fund	17,041	17,459
Non-recurring CIP	(885)	
Total Reserved Funds	24,658	27,537
Running Costs	6,895	6,846
Total Expenditure Budget	501,515	506,708
Planned Surplus/Deficit	3,111	(1,151)