

**CAMBRIDGESHIRE AND PETERBOROUGH CCG 2017/18 FINANCIAL POSITION AND
PLANNING FOR 2018/19**

To: **Cambridgeshire Health Scrutiny Committee**

Meeting Date: **17 May 2018**

From: **CCG Acting Interim Accountable Officer and Chief Clinical
Officer/Clinical Chair**

Electoral division(s): **All**

Forward Plan ref: **N/A** *Key decision:* **No**

Purpose: **To provide the Committee with a briefing on the CCG's
2017/18 financial position and 2018/19 financial plan.**

Recommendation: **The Committee is asked to note the update on the CCG's
financial performance and the challenging yet achievable
plan for 2018/19.**

1. BACKGROUND

- 1.1 The CCG reported a £42.1m deficit in 2017/18 against the £15.5m control deficit agreed with NHSE prior to the commencement of the year. This report explains to the committee the main reasons driving this deterioration and also provides an update on the financial plan development for 2018/19.

2. MAIN ISSUES

2017/18 Financial Performance

- 2.1 The CCG's budget for 2017/18 was £1 billion. It started the year with an agreed control total deficit (agreed overdraft) with its regulators, NHS England (NHSE) of £15.5m. At the time this was acknowledged as a challenging plan, with a £46.4m QIPP (annual savings) plan required to deliver this deficit, and £12.1m net risks identified but not included in the position. These risks related predominantly to the growth of activity being higher than included within the contract, NHS Continuing Healthcare (CHC) activity being higher than forecast, the possibility of savings plans under delivery and prescribing cost pressures in respect of unanticipated national price changes.
- 2.2 The risks outlined at the time of plan sign off materialised throughout the year, and at a higher level than anticipated. In addition to this, a CHC backlog was identified of cases that had not been processed within the national timeframe. The CCG is responsible for funding if the individual is CHC or Funded Nursing Care (FNC) eligible. The result of the backlog is that these costs were not recognised in the financial position at the time they should have been, resulting in a more significant recognition of these costs late in the financial year.
- 2.3 The main reasons for the CCG's deterioration in financial position for 2017/18 were:
- A greater demand for acute care than had been planned for, costing an additional £19million
 - A £6million increase in prescribing costs, due to national pricing changes
 - A rise in the number of NHS Continuing Healthcare patients, fast track patients and s.117 patients, as well as a need to address a large backlog of assessments, causing an additional cost of approximately £14million
 - Under delivery of QIPP (savings plans) standing at £7.6 million
- The CCG utilised underspends from other areas and contingencies to bring this figure to a year end position of £42.1million deficit.
- 2.4 As many of these cost pressures are recurrent in nature, the CCG have taken care to ensure that the deficit position agreed with regulators for 2018/19 took all of these into account and allowed for the agreement of a realistic plan that the CCG can deliver. In order to avoid a recurrence of the mismatch between financial planning and delivery, the CCG commissioned a capacity and capability review and this has made a number of recommendations that we are taking forward in an improvement plan. The review also recommends one off investment in leadership and financial management, and NHS Continuing Healthcare, which we are implementing.

2018/19 Financial Plan

- 2.5 NHS England and NHS improvement published guidance for refreshing NHS Plans in February 2018 and NHS Operational Planning and Contracting Guidance 2017-2019 published in September 2016 and reflected in the March 2017 document *Next Steps on the NHS Five Year Forward View*.

The CCG has used the guidance as a basis for its planning for 2018/19. The guidance sets out priorities for our planning and these have been:

- Focus is on financial planning
- System financial alignment between providers and commissioners
- Recognition of growth in non-elective and ambulance activity
- Whole system solutions and planning – system ‘control total’

The guidance also sets out five service areas where improvements are expected. These are the following and how we have addressed them:

- Mental Health – meeting the investment standard
- Cancer – implementing regional Cancer alliance strategy with associated funding
- Primary Care – supporting new models of care and extended access
- Urgent and Emergency Care – focus on reducing hospital admissions and delayed transfers of care
- Learning Disabilities – planning for growth.

In terms of our financial position to start the year, the CCG have been in extensive discussions over the past 4 months with NHSE both regionally and nationally to agree a deliverable plan for 2018/19. At the time of writing, the plan, approved by the Governing Body is for a £35.1m deficit position. This includes £35m of QIPP (savings) delivery.

- 2.6 The starting point for the 2018/19 financial plan is the 2017/18 outturn position, adjusted for non-recurrent cost pressures and in year slippage. This gives an underlying deficit of £49.1m (including an assumption that a 0.5% contingency/risk reserve is maintained). Anticipated and known changes for 2018/19 are then applied to this position to determine the gross position prior to the application of QIPP schemes.
- 2.7 In drawing up its 2018/19 financial planning assumptions, the CCG has referred to the NHS national technical planning guidance. The plan also reflects the locally agreed growth assumptions contained in the system’s Sustainability and Transformation Plan, however Acute activity growth assumptions have been refined based on activity levels seen in 2017/18 and the Acute providers and CCG view of likely activity increases for 2018/19.
- 2.8 The assumptions within the plan are shown in the table below.

Planning Assumptions	
National Assumptions	%
Tariff Uplift	
PbR Activity	0.8%
Non-national tariff acute services	0.1%

Non Acute	0.1%
Reserves	
Contingency	0.5%
Local Growth Assumptions	
Acute	
Non Elective	3.1%
Elective	5.1%
Daycases	5.6%
First Outpatient	3.1%
Follow Up Outpatient	2.8%
A&E	3.3%
Mental Health	2.6%
Community	3.4%
Complex Cases	4.5%
Prescribing	4.8%
Primary Care (including Delegated Commissioning)	2.7%

- 2.9 The resource uplift for the CCG is more than in previous years and is more than the previously notified 2.6% for 2018/19 as a result of the additional funding invested in the NHS as part of the Autumn budget statement (November 2017), with part of this being passed to CCG's in their allocation. This resulted in an increase of 3.48% (excluding running costs and primary care delegated commissioning).
- 2.10 The CCG has received a £34.8m uplift to its core allocation in 2018/19. Of this £8.6m is the increased funding made available in the Autumn budget statement. Delegated Commissioning allocation has increased by 1.73%, an increase of £2.137m.
- 2.11 The final version of the plan is based on having Guaranteed Income Contracts with Cambridge University Hospital NHS Foundation Trust, North West Anglia NHS Foundation Trust and Royal Papworth NHS Foundation Trust, with all organisations in principle having agreed to this position subject to final confirmation of terms and conditions of the contracts and Board ratification.
- 2.12 This is the first year the CCG has agreed Guaranteed Income Contracts (GICs) with its providers. These have been negotiated on the basis of looking at the likely activity for the year, less the realistic level of QIPP that can be delivered by the system to calculate a fixed income figure for the year. Each step of this process has been carried out in collaboration with providers.
- 2.13 A core advantage of Guaranteed Income Contracts is the change in system behaviours they facilitate as well as removing a key element of risk from the CCG's position. This allows both the CCG and providers to work collaboratively to reduce as far as possible the levels of activity seen within the Trust's, ensuring that patients are treated in the most appropriate settings and removing the potentially adversarial elements of contract enforcement present under payment by results.
- 2.14 The GICs are however constructed in such a way that outcomes required by the population of C&PCCG are delivered, with monitoring of key performance metrics within the contracts (e.g. maintenance of 18 week wait performance, and delivery of A & E targets).

2.15 The current plan satisfies the Mental Health Investment Standard, in which Mental Health services must receive increased funding of at least the CCG's overall uplift (3.48%). It also delivers the £3 per head funding required under the GP 5 Year Forward View.

2.16 From this gross position, QIPP is then applied, based on the CCG's view of the likely amount deliverable. This produces the following plan for the year;

£m	2017/18 Recurrent Exit position	Increase in allocation	Tariff Inflator/ Inflation	Growth	M H I S & G P F V	Other recurrent investments	Non- recurrent investments	Contingency	Other reserves	Planned Q I P P	2018/19 Plan
Allocation	1,143,103	37,919									1,181,022
Expenditure											
Acute	581,292		4,668	23,367		5,456				-13,969	600,814
Mental Health	88,299		85	2,218	1,429					-300	91,731
Community Health Services	128,336		231	4,410						-5,500	127,477
Continuing Care	72,736		73	3,273						-7,500	68,582
Prescribing	115,533		116	5,550			500			-5,700	115,999
Primary Care Services	29,831		119	671	1,395					-520	31,496
Primary Care Co-commissioning	117,292			3,541						-1,500	119,333
Other programme	34,815		30	543					-391		34,997
Contingency	-							5,230			5,230
Non Recurrent headroom	5,059							-5,059			0
Running Costs	19,022		190				1,358		-138		20,432
Unidentified QIPP											-
Total spend	1,192,215	0	5,512	43,573	2,824	5,456	1,858	171	-529	-34,989	1,216,091
Surplus/(deficit)		-49,112									-35,069

2.17 Much of the Community QIPP is delivered through management of contracts which sit within this area of spend, asking providers to maintain service delivery within existing contract envelopes.

2.18 As part of the financial recovery of the organisation, a more robust process around the development, governance, delivery and accountability of QIPP schemes has been implemented, along with a strengthening of the Project Management Office.

CONCLUSION

The Committee are asked to note the contents of the report. It is clear that the significant financial challenge faced by the CCG this year continues into 2018/19. The QIPP requirement for 2018/19 is £34.989m. Delivery of this level of QIPP still results in a deficit plan for the financial year of £35.1m, however the CCG are of the view that this is an achievable plan, and are currently focused on ensuring delivery of this, alongside assuring the safe delivery of services are its key areas of focus.