



AGENDA ITEM NO: 8.0.

Meeting Title/Date:	Governing Body - 17 March 2020		
Report Title:	Financial Plan 2020/21		
Paper Prepared By:	Tracey Procter	Date of Paper:	17 March 2020
Executive Sponsor:	Gareth James	Responsible Manager:	Tracey Procter
Committees where Paper Previously Presented:	Process and themes discussed in detail at Finance and Performance Committee.		
Background Paper(s):	Previous Governing Body paper. NHS Operational and Contracting guidance 2020/21.		
Summary of Report:	<p>NHS Morecambe Bay Clinical Commissioning Group will begin 2020/21 with a total allocation of £590.396 million. This includes a running cost allowance of £6.385 million. It is important to note that our allocation will be subject to change during the financial year.</p> <p>The information in this paper is based on our draft financial plan submission on 5 March 2020 and may be subject to change prior to submission of final plans at the end of April 2020.</p> <p>Our draft financial plan has been developed following application of national guidance, local planning assumptions and a set of financial principles agreed across Bay Health and Care Partners.</p> <p>We are currently planning to deliver our 2020/21 financial duties with a break-even position as at 31 March 2021. However, to achieve this, we will need to deliver efficiencies of £17.747 million.</p> <p>Although we are currently planning to for financial balance as at 31 March 2021, there is a significant level of risk to this. CCGs are required to provide an analysis of risk alongside their plans. We are currently reporting additional un-mitigated risks of £9.307 million.</p>		
Recommendation(s):	The governing body is asked to note the 2020/21 draft financial plan.		
			Please Select Y/N
Identified Risks: (Record related Assurance)	AF200 RR73		Y

Framework or Risk Register reference number)		
Impact Assessment: (Including Health, Equality, Diversity and Human Rights)		N
Strategic Objective(s) Supported by this Paper:		Please Select (X)
Better Health - improve population health and wellbeing and reduce health inequalities		X
Better Care - improve individual outcomes, quality and experience of care		X
Delivered Sustainably - create an environment for motivated, happy staff and achieve our control total		X
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NHS MORECAMBE BAY CLINICAL COMMISSIONING GROUP

FINANCIAL PLAN 2020/21

INTRODUCTION

1. NHS Morecambe Bay Clinical Commissioning Group will begin 2020/21 with a total allocation of £590.396 million. This can be analysed as follows:

Description	£m
Recurrent programme allocation b/fwd	515.943
Growth in allocation (@3.79%)	19.524
Delegated Primary Care (medical)	48.544
Total 2020/21 programme allocation	584.011
2020/21 running cost allowance	6.385
Total 2020/21 allocation	590.396

2. It is important to note that this allocation will be subject to change during the financial year. All allocation changes will be closely monitored and reported to the governing body throughout the financial year.
3. Our 2020/21 budget includes an allocation for Primary Care medical services which is delegated from NHS England and Improvement. Budgetary performance against this allocation is managed by the Primary Care Commissioning Committee.
4. We will begin 2020/21 with a running cost allowance (RCA) of £6.385 million representing a reduction of £0.854 million from the previous financial year.
5. The information in this paper is based on our draft financial plan submission on 5 March 2020 and may be subject to change prior to submission of final plans at the end of April 2020.
6. Our draft financial plan assumes that we end 2019/20 with a break-even financial position. The recurrent, or ongoing, impact of any non-recurrent year-end mitigations have been factored into 2020/21 planning assumptions.

FINANCIAL IMPROVEMENT TRAJECTORIES

7. NHS England and Improvement have provided each organisation with a financial improvement trajectory (FIT), or control total, for each of the next 4 financial years. The FIT for Morecambe Bay CCG are as follows:

<u>NHS Morecambe Bay CCG - £m</u>	2020/21	2021/22	2022/23	2023/24
Financial improvement trajectory (pre FRF)	3.190	5.520	2.600	0.190
Indicative FRF	-	-	-	-
Indicative financial improvement trajectory (including FRF)	3.190	5.520	2.600	0.190

8. Although the cumulative impact of the trajectories by 2023/24 are similar to our sustainability and financial recovery plan, the financial ask for years 1 and 2 of the above are more challenging (i.e. financial improvement is front-loaded).
9. Delivery of the above would mean that we would return to a 1% cumulative surplus by end of 2022/23 and, therefore, comply with NHS England 'business rules'.
10. Our high level financial plan that we submitted in January 2020 indicated a further stretch to the above with a surplus in 2020/21 of £4.690 million. This is to support delivery of a Bay Health and Care Partners control total and, specifically, to support UHMB who are currently forecasting a position significantly worse than their FIT.

BUDGET SETTING METHODOLOGY

11. The 2020/21 financial plan has been developed following application of the following:
 - National inflation and efficiency rules
 - Investment to support national investment standards
 - Locally agreed financial principles
 - Local activity assumptions
12. The ICP leadership team have agreed the following financial principles which are also included in our Better Care Together strategy:
 - Achieve FITs with year-on-year deficit reductions
 - Recognition that we need financial support (in excess of existing sparsity funding) to get to financial balance
 - Deliver mental health investment standard
 - Increase in primary and community care spend by a minimum of CCG allocation increase
 - Investment in acute spend will grow by maximum of:
 - 1% for demographic growth
 - 1.55% tariff uplift
 - We will move away from a PbR contract to a block/blended style contract
 - Non-clinical spend will reduce by 15% over the next 4 years
 - Establish a population health budget of £0.5 million
13. NHS England and Improvement guidance¹ outlines the areas where CCGs are expected to provide for investment at the same rate as the overall % increase in our total allocation. We have, therefore, allowed for a 3.79% increase in local spend on mental health (with an additional 1.7%), local primary care and community services expenditure. We will be expected to demonstrate compliance with these standards during the financial year.
14. We have also provided for the same level of growth for continuing healthcare, complex care and learning disability packages of care.

¹ NHS Operational Planning and Contracting Guidance 2020/21 January 2020

15. In accordance with the agreed financial principles, we have also assumed that costs will increase in 2020/21 by 1% as a result of demographic influences (only applied to Acute and CHC/complex care budgets).
16. The impact of our planning assumptions can be summarised by the following table:

Description	£m
Repayment of non-rec mitigations*1	9.139
Allocation growth	-19.524
Inflation	10.019
Activity growth*2	7.048
Investments	5.080
Contingency	2.954
ICS transformation (0.5%)	2.954
Financial recovery plan (QIPP)	-17.747
Other	0.077
Planned surplus	0

*1 equal to our underlying financial position

*2 includes £2m for planning guidance waiting list requirements

UNDERLYING AND CUMULATIVE FINANCIAL POSITIONS

17. We will begin 2020/21 with a recurrent, or underlying, deficit of approximately £9.1 million. This means that we are spending £9.1 million more than available funds. During 2020/21 we plan to return to recurrent financial balance. However, this is contingent on delivery of a material level of recurrent QIPP savings.
18. We will also begin 2020/21 with a cumulative deficit of £5.575 million. Based on delivery of our financial improvement target we will return to a position of cumulative financial balance during 2021/22 and fully achieve NHS England and Improvement 'business rules' at the end of 2022/23.
19. During 2019/20 we made several non-recurrent actions to support delivery of our financial duties. Some of these actions will impact on 2020/21 as funding is repayable or non-recurrent income was funding recurrent expenditure. The impact of these can be summarised as follows:

Description	£m
Balance sheet management	2,000
2019/20 allocations c/fwd*	1,337
Re-instated reserves	1.875
Un-identified 2019/20 QIPP	3.927
Total non-recurrent impact	9.139

*relating to digitalisation of primary care records

SECONDARY HEALTHCARE

20. After application of our budget setting principles we have a budget for acute services of £295.623 million. This can be analysed as follows:

Description	£m
UHMB acute services contract	236.685
Other NHS contracts	27.327
North West Ambulance Services	20.680
Non-NHS Acute providers	6.161
Non-contracted activity (NCAs)	4.769
Total acute services	295.623

21. As with all budgets not subject to a minimum investment standard, this budget will be subject to a QIPP reduction.
22. In excess of 80% of acute spend is with University Hospitals of Morecambe Bay NHS Foundation Trust (UHMB). Bay Health and Care Partners have agreed to move away from a payment by results style of contracting from April 2020. We have, therefore, proposed a 'programme budget' approach with UHMB colleagues based on available funding following application of agreed financial principles. Further details of the contract value and associated risk-share methodology will be shared with the governing body in May 2020.
23. We have applied a net tariff increase of 1.3% (net of a tariff deflator of 1.1%) to all acute providers. This is in accordance with the BHCP financial principles. However, detailed planning guidance increases this to 1.4% and NHS England and Improvement will provide additional funding to support this increase. The 2020/21 acute services budget will be increased following receipt of funding.
24. We have also increased the budget by 1% in respect of likely demographic influences on activity (again in accordance with BHCP agreed principles) and a further 0.25% in respect of CNST premium increases.

PRIMARY CARE PRESCRIBING

25. The 2020/21 financial plan increases prescribing spend by 5%. This is in line with NHS England Guidance. As with previous years the 2020/21 prescribing budget will be calculated using forecast spend adjusted for known changes between the forecast and the year-end. At the time of setting the budget we have assumed that spend forecast spend will be reduced by £0.5 million in quarter 4 reflecting the agreed QIPP schemes and the start of the repeat prescribing scheme.
26. QIPP, or efficiency plans, are currently being finalised and, once agreed, will be netted off the prescribing budget. At the time of agreeing this budget it is proposed to set a QIPP target of £2.451 million against the prescribing budget.

CONTINUING HEALTHCARE (CHC), COMPLEX CARE AND NHS FUNDED NURSING CARE

27. CHC and complex care remains a high risk budget area. Although not mandated to apply a minimum investment, we have applied both 3.79% inflation and 1% demographic growth to these budgets. We will, therefore, begin 2020/21 with a budget of £44.142 million; made up as follows:

Description	£m
Continuing care services	36.533
Local Authority / joint services	0.456
Funded nursing care	7.153
Total Continuing Health Care	44.141

CONTINGENCIES (RESERVES)

28. In line with principles of sound financial management, organisations are expected to create reserve budgets to provide cover for an appropriate assessment of risk. Further guidance from NHS England mandates all clinical commissioning groups to set aside a contingency of at least 0.5% of funding (£2.954 million).
29. The Chief Finance Officer will closely monitor the use of contingencies with regular reports to the Finance and Performance committee throughout the financial year.
30. In addition, CCGs are expected to set aside a further 0.5% to support transformation. This process is governed by each integrated care system (ICS). In Lancashire and South Cumbria a group has been constituted to agree how this funding will be utilised. This group is chaired by the Morecambe Bay CCG Accountable Officer. A further update on this funding will be provided to the governing body in May 2020.

INVESTMENTS

31. The 2020/21 planning guidance mandates several areas for investments. Since 2018/19 we have had a minimum investment standard for mental health (which we are audited on) and for 2020/21 this is being extended to primary care and community services. We are, therefore, making additional investments totalling £6.515 million, analysed as follows:

Description	£m
Mental health*	3.435
Community services	1.896
Primary care	0.684
Population health	0.500
Total investments included in 20/21 budget	6.515

**includes £467k relating to LD and CHC*

32. The executive committee has reviewed and supported prioritisation of investments against each of these areas. The process has also been supported by the governing body. The governing body will be asked to make a final decision on investments after the final plan has been submitted to NHS England and Improvement.
33. In addition, CCGs are mandated to set aside a further 0.5% of their allocation to support development of integrated care system (ICS) transformation. We have, therefore, set a budget of £2.954 million.

MENTAL HEALTH INVESTMENT STANDARD (MHIS)

34. As described in this report, we are mandated to increase spend on mental health services by 5.49% (3.79% and 1.7%). Last year our audited spend on mental health services was £54.046 million. We are, therefore, required to invest a minimum of £2.967 million. It is currently proposed to invest this as follows:

Description	£m
Tariff on mental health contracts	0.785
Mental health prescribing increase	0.137
Safer staffing following transfer from NCIC	1.400
Other *	0.645
Total MHIS	2.968

**an ICS wide gateway process to support and agree investments has been agreed*

35. During the exercise to transfer mental health services from North Cumbria Integrated Care Trust (previously Cumbria Partnership FT) to Lancashire and South Cumbria Foundation Trust (previously LCFT) non-recurrent funding of £0.5 million was agreed to secure safety improvements. In 2020/21, the recurrent, or ongoing, costs of this 'safer staffing' programme are the first call against our MHIS.

RUNNING COSTS

36. We will begin 2020/21 with a running cost allowance (RCA) of £6.385 million representing a reduction of £0.854 million from the previous financial year. During 2019/20 there was a material underspend against our RCA which has supported balancing the programme, or healthcare, budgets. Following the above reduction, it is likely that there will be pressures against the RCA. These will be closely monitored with regular reports to the governing body.

QUALITY, INNOVATION PRODUCTIVITY AND PREVENTION (QIPP)

37. Following the implementation of our financial planning assumptions (both national and local) our draft financial plans reflect a gap between expected spend and available resources of £17.7 million. This is the level of QIPP required for us to deliver our financial duties and represents 3.01% of our total budget. In short, this means that, if not delivered, we will end 2020/21 with a financial deficit.
38. Allocation of our QIPP plan will be different to previous years as, following the application of national guidance, approximately 39% of our budget is either ring-fenced (delegated primary medical services, BCF) or protected by a minimum investment standard (including mental health, local primary care and community services). This means that the actual QIPP target is 4.77% of available budget.

39. Our draft financial plan submission assumes the following QIPP delivery:

Description	£m
Acute services*	13.119
Continuing healthcare/complex care/FNC	2.106
Prescribing	2.464
NHS Property Services	0.058
Total QIPP	17.747

*86% of acute spend is with UHMB

40. We are currently working on savings and efficiency plans across the following 3 categories:

- 4 large transformation schemes;
- Additional schemes with value of >£1 million;
- Other business as usual

41. Delivery of our QIPP target will be scrutinised at the newly established joint delivery group with regular reports to the finance and performance committee.

BETTER CARE FUND

42. Morecambe Bay CCG makes contributions into three Better Care Funds, Lancashire, Cumbria and North Yorkshire. The majority of the CCG commissioned services within the fund are within the community block contracts and are aimed at reducing Delayed Transfers of Care working alongside the Local Authorities.

The minimum contributions are as follows;

Better Care Fund	£m
Cumbria CC	14.712
Lancashire CC	11.413
North Yorkshire CC	0.460
Total BCF contribution	26.585

RISK

43. Although we are currently planning to for financial balance as at 31 March 2021, there is a significant level of risk to this. CCGs are required to provide an analysis of risk alongside their plans. We are currently reporting additional un-mitigated risks of £9.307 million; analysed as follows:

Risk description	£m
Primary care delegated budget	2.000
Ambulance services; potential growth in activity	0.500
Mental health investment in excess of MHIS	0.540
Smaller acute contracts (additional 1% growth)	0.575
QIPP non-delivery	4.192
Planned investment slippage not materialising	1.500
Total reported risk	9.307

NEXT STEPS

44. As described in this report our 2020/21 financial plan is currently based on our draft plan submission to NHS England and Improvement. Following governing body approval of the 2020/21 financial budget, budget holders will be required to formally accept budgets, including financial recovery savings targets. Further adjustments might be made to the budget to reflect actual year-end performance.
45. Financial performance will be reported to the finance and performance committee on a monthly basis.

RECOMMENDATIONS

46. The governing body is asked to note the 2020/21 draft financial plan.

Gareth James
Chief Finance Officer

March 2020