NHS
Morecambe Bay
Clinical Commissioning Group

AGENDA ITEM NO: 12.0.

Meeting Title/Date:	Governing Body - 22 May 2018		
Report Title:	Financial Strategy and Budgets 2018/19		
Paper Prepared By:	Kevin Parkinson	**Date of Paper:**	8 May 2018
Executive Sponsor:	Kevin Parkinson	**Responsible Manager:**	Kevin Parkinson
Committees where Paper Previously Presented:			
Background Paper(s):			
Summary of Report:	The report describes the current financial issues facing the CCG, describes the financial plan for 2018/19 and presents the budgets for 2018/19.		
Recommendation(s):	The Governing Body is asked to:- ➢ Agree the Financial Strategy and Plan for 2018/19. ➢ Note the risks identified in 9.0., and the need for plans to minimise/eliminate the risks. ➢ Agree to adopt the CCG budgets in Appendix A, noting that they will be amended from time to time in line with 12.2.		
			Please Select Y/N
Identified Risks:	Section 9 of the report.		Y
Impact Assessment: (Including Health, Equality, Diversity and Human Rights)			N
Strategic Objective(s) Supported by this Paper:	To agree the Financial Strategy and CCG Budgets for 2018/19.		**Please Select (X)**
To Improve the health of our population and reduce inequalities in health			X
To reduce premature deaths from a range of long term conditions			X
To develop care closer to home			X
To commission safe, sustainable and high quality Hospital Health Care			X
To commission safe, sustainable and high quality Mental Health Care			X
To improve capacity and capability of primary care services to respond to the changing health needs of our population			X
Please Contact:	Kevin Parkinson Chief Finance Officer		

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FINANCIAL STRATEGY AND BUDGETS 2018/19

1.0. BACKGROUND AND CONTEXT

The health economy in Morecambe Bay has faced performance and financial pressures for a number of years. These have resulted in considerable joint organisation work on the development of a new Clinical Strategy (Better Care Together) for Morecambe Bay, which strives to ensure sustainable, safe and affordable health and care services for Morecambe Bay.

The Morecambe Bay health and care system are operating as an Integrated Care Partnership (ICP) and therefore the financial performance of the CCG cannot be considered in isolation from the wider system.

1.1. Boundary Change

On 1 April 2018 the GP practice in Garstang transferred to Fylde and Wyre CCG, which resulted in a transfer of allocation of approximately £26m from Morecambe Bay CCG (MBCCG).

1.2. Funding Allocations

MBCCG are over target in terms of funding allocations in accordance with the national formula. As a result of this the CCG have only received the minimum level of growth in 2018/19.

1.3. Historic Financial Performance

MBCCG ended the 2017/18 financial year reporting a deficit of £4.341m (£7.409m before national adjustment) against a target of £0.909m deficit.

In view of Morecambe Bay CCG only becoming operational from 1 April 2017 we have to consider historic performance in relation to Lancashire North and South Cumbria separately for the years prior to that.

South Cumbria had been part of Cumbria CCG which has had difficult financial issues over the years and in 2016/17 has been under legal directions with a deficit control total. The planned deficit relating to South Cumbria was deemed to be £2.8m for 2016/17.

Lancashire North CCG met its financial duties in 2013/14 and 2014/15, achieving a slightly reduced control total (agreed with NHS England due to LPM) in 2015/16 and met a £1m surplus in 2016/17 against a target of £2m surplus. Over these years there has been an increasing reliance on non-recurrent measures to achieve those positions.

2.0. FINANCIAL STRATEGY

2.1. The purpose of the financial strategy is to ensure that resource is effectively and appropriately directed to enable achievement of the CCG's aims and objectives. As such the financial strategy is driven by five objectives:-

- Objective 1: Support the CCG's Strategic and Operational Plans, Better Care Fund Plan and Better Care Together Strategy.
- Objective 2: Support the delivery of the NHS Mandate and Constitution and local targets.
- Objective 3: Achieve statutory financial targets.
- Objective 4: Achieve surplus and contingency levels and efficiency savings in accordance with national and local guidance.
- Objective 5: Contribute to the management of financial risk within Morecambe Bay ICP.

2.2. In view of the impact of the economic climate on the NHS and wider public services, consideration needs to be given of the financial plans of its Providers and Local Authority.

3.0. CCG ALLOCATION

3.1. The allocation for 2018/19 is £497.3m and has been derived from two places:-

3.1.1. The allocation from the National allocation formula (£523.5m).

3.1.2. A reduction to reflect the transfer of the Garstang GP practice to Fylde and Wyre CCG (£26.2m).

3.2. The National allocation formula was amended two years ago to allow for a sparsity adjustment to recognise that in some parts of the country costs related to sparce populations are deemed to be higher than average.

South Cumbria were deemed to be one such area in view of Furness and attracted an amount of £5.8m. This amount was added to the "target" allocation for Cumbria CCG (ahead of the transfer of South Cumbria to Morecambe Bay CCG) but as they were "over target" the available in year allocation did not increase. Morecambe Bay CCG inherited this position.

3.3. NHS England's pace of change policy (to move CCG's towards their target allocation) annually provides a greater level of growth to CCG's significantly under their target than to those over target. In receiving annual growth for 2017/18 the CCG has received the minimum level of growth to organisations (2%). This was supplemented by a further 0.8% at the time of the planning guidance being issued.

3.4. It will not be clear what Morecambe Bay CCG's distance from target allocation is until the National allocation model is run for Morecambe Bay CCG, but as both Lancashire North and Cumbria CCG were both "over target" it can be assumed that Morecambe Bay CCG will be "over target".

4.0. FINANCIAL PLAN 2018/19

4.1. The CCG financial model for 2018/19 has been populated from many sources including financial planning guidance provided by NHS England, information from national changes eg payment by results guidance, cost pressures experienced in 2017/18 and the CCG's plans.

4.2. The main points from the financial plan submitted to NHS England are as follows:-

i) Revenue allocation for commissioning (programme) £490.110m, which includes growth of 2.8%.

ii) Revenue allocation for running costs £7.229m.

iii) Control total is a £4m deficit (rather than 1% surplus).

iv) Commissioner Sustainability Fund (CSF) allocation of £4m will be received by the CCG subject to restricting expenditure to the control total. The result of which would be a break even position.

v) 0.5% held as required by STP/ICS.

vi) 0.5% contingency fund.

vii) Funds held for Mental Health Investment Standard (MHIS).

viii) Activity levels reflecting demographic growth etc included at a level in line with University Hospitals of Morecambe Bay NHS Foundation Trust (UHMBT) anticipated level.

ix) New pressures included covering tariff, inflation and demographic growth.

x) New investment includes the £3 per head (non-recurrent) as required by GP Five Year Forward View (5YFW).

xi) Underachievement of QIPP £12.2m) in 2017/18 to be identified in 2018/19.

xii) A QIPP requirement of £15.7m.

xiii) A reserve of £1m is held for winter schemes as agreed by the A&E Delivery Board.

5.0. QIPP TARGET

5.1. The QIPP savings target for the CCG is £15.7m for 2018/19 which equates to 3.2% of allocation. This is a high requirement and does come with some risk of delivery.

5.2. The size of the QIPP target has been driven by a number of things including:-

i) Over performance in some areas and underachievement of QIPP savings in 2017/18.

ii) New investments required eg MHIS.

iii) Investment costs related to Better Care Together (BCT) previously met by Vanguard funding.

iv) Impact of payment by results tariff, inflation and demographic change.

6.0. RIGHTCARE

NHS England has provided considerable information for use in health systems which compared use of services and their respective outcomes with peers across the country.

The CCG has embraced RightCare as part of wave 1 using the following process/ approach:-

- The CCG Executive has reviewed the NHS RightCare data packs along with supporting evidence from its CSU, NHS productivity and other national benchmarks.

- Deep dive analysis has been undertaken at a local level by the CCG in conjunction with the acute provider to understand the level of local variation and possible causes.

- Based on this analysis the CCG has identified a range of priority areas for action which could deliver both a financial and outcomes improvement.

The main opportunities identified within the RightCare data packs have confirmed and further informed the work that we are doing as part of the Morecambe Bay ICP (Bay Health and Care Partners) within Better Care Together. This is now being pushed at pace to maximise the net cost savings in the Morecambe Bay system.

It is important to note that the financial values identified within the RightCare process represent the level of variation from our peer CCGs and not necessarily the level of cash that could be released from the health economy through service redesign. The CCG's Executive Team are, however, treating these values as the standard to be aimed for.

7.0. CCG APPROACH TO QIPP

7.1. The four main areas to focus on to identify QIPP schemes within a CCG are commissioned activity levels, primary care prescribing, running costs and expenditure on Continuing Health Care (CHC).

7.2. The Better Care Together Strategy for Morecambe Bay provides the overall clinical strategy. The delivery of this strategy is taking place via a number of workstreams within the ICP. These schemes are the ones that will contribute to the CCG's savings on activity commissioned.

7.3. Operating within an ICP in Morecambe Bay we look to consider net cost reduction in the system to quantify QIPP/CIP schemes. To date this has proved difficult due to the backlog of RTT activity and also not always having the scale of change to create step changes in provision.

7.4. Whilst the workstreams in 7.2. are informed by RightCare (and other measures) further work is happening to consider other areas of RightCare that haven't to date been as high a priority.

7.5. Primary Care Prescribing has in recent years delivered a good level of QIPP savings and a £2m (against a flat cash budget) savings target for 2018/19 has been set. This is planned to be met by a mixture of efficiency, standardisation and policies on drugs/ products prescribing. This workstream is also being considered in the ICP to extend its scope into secondary care prescribing.

7.6. Additionally the CCG/ICP are active members of the STP/ICS and keen to share in any initiatives that help the financial position of the CCG/ICP.

8.0. NATIONAL QIPP SUPPORT TEAM

8.1. The CCG is in receipt of a report following recent work in the CCG by the team. This report identifies a small number of suggested improvements to the QIPP process in the CCG. We are currently trying to attract some further national funds to help support some of the CCG QIPP schemes.

9.0. RISKS

9.1. <u>Delivery of QIPP Savings Target</u>

The main risk to delivery of the QIPP savings target is that the target activity and cost reductions are not met by the ICP/Better Care Together workstreams. This means that the CCG and other ICP partners need to focus on delivery within the workstreams, and identify further such schemes.

9.2. <u>Service Level Agreements</u>

As the CCG contingency is likely to be needed to meet the risk in 9.1. above any over performance on patient care service level agreements will create a financial pressure that will need to be managed by reducing spend elsewhere.

10.0. **SERVICE LEVEL AGREEMENTS (SLA)/CONTRACTS**

10.1. The CCG's SLAs are based upon meeting the costs of the 2017/18 activity levels, plus a small estimate for demographic growth, less the effect of CCG commissioning intentions/QIPP schemes/Better Care Together schemes.

10.2. In line with National guidance providers are expected to achieve minimum efficiency requirements of 2% and this is reflected in SLA value.

11.0. **CASH LIMIT**

11.1. The maximum cash drawdown (MCD) for 2018/19 is markedly lower than the revenue allocation as cash for prescribing is held centrally even though the charge/expenditure for it is incurred and held at CCG level. Delivery of the financial strategy with QIPP schemes that meet the full QIPP target will ensure that the CCG remains within its cash limit. Otherwise the CCG would need to seek an increase to its maximum cash drawdown.

12.0. **BUDGETS 2018/19**

12.1. CCG budgets have been set that reflect the contents of this paper and assume full delivery of the QIPP plans.

12.2. The budgets will be amended through the year to reflect changes in allocations, issue of funds held in reserve, new QIPP schemes etc.

13.0. **RECOMMENDATIONS**

The Governing Body is asked to:-

13.1. **Agree the Financial Strategy and Plan for 2018/19, as described above.**

13.2. **Note the risk identified in 9.0. above, and the need for plans to minimise/eliminate the risks.**

13.3. **Agree to adopt the CCG budgets in Appendix A, noting that they will be amended from time to time in line with 12.2. above.**

KEVIN PARKINSON
CHIEF FINANCE OFFICER

9 MAY 2018