

Clinical Commissioning Group (CCG) Governing Body 2019/2020 – Part 1

Date of Meeting:	19 July 2019
Agenda Item:	3.5.1
Subject:	Finance Update Report
Reporting Officer:	Sam Evans
Aim of Paper:	The paper updates Governing Body on the financial position as at 30th June 2019

Governance route prior to Governing Body	Meeting Date	Objective/Outcome
Governing Body	Select date of meeting.	Click to Select
Audit Committee	Select date of meeting.	Click to Select
Corporate Governance Committee	Select date of meeting.	Click to Select
Health and Wellbeing Board	Select date of meeting.	Click to Select
Integrated Commissioning Board	Select date of meeting.	Click to Select
Locality Engagement Group	Select date of meeting.	Click to Select
Patient and Public Engagement Committee	Select date of meeting.	Click to Select
Quality and Safeguarding Committee	Select date of meeting.	Click to Select
Remuneration Committee	Select date of meeting.	Click to Select
Clinical and Professional Advisory Panel	Select date of meeting.	Click to Select
System Transformation Committee	Select date of meeting.	Click to Select
Primary Care Commissioning Committee	Select date of meeting.	Click to Select
Other	Click here to enter text.	

Governing Body Resolution Required:	For Discussion
Recommendation	To note the contents of this paper

Link to Strategic Objectives	Contributes to: (Select Yes or No)
SO1: To be a high performing CCG, deliver our statutory duties and use our available resources innovatively to deliver the best outcomes for our population.	Yes
SO2: To deliver on the outcomes of the Locality Plan in respect of Prevention and Access (Prevention and Self Care)	No
SO3: To deliver on the outcomes of the Locality Plan in respect of Neighbourhoods & Primary Care (Getting help in the Community)	No
SO4: To deliver on the outcomes of the Locality Plan in respect of In Hospital - Planned (Getting more help)	No
SO5: To deliver on the outcomes of the Locality Plan in respect of In Hospital - Urgent Care (Getting more help)	No
SO6: To deliver on the outcomes of the Locality Plan in respect of Children, young people and families	No
SO7: To deliver on the outcomes of the Locality Plan in respect of Mental Health	No

Risk Level: (To be reviewed in line with Risk Policy)	Amber
Comments (Document should detail how the risk will be mitigated)	The risk will remain amber until the end of the financial year and the completion of the annual accounts to ensure the control total and all financial statutory duties are met.

Content Approval/Sign Off:	
The contents of this paper have been reviewed and approved by:	Chief Finance Officer, Sam Evans
Clinical Content signed off by:	Not applicable
Financial content signed off by:	Deputy Chief Finance Officer, Jonathan Evans

	Completed:
Clinical Engagement taken place	Not Applicable
Patient and Public Involvement	Not Applicable
Patient Data Impact Assessment	Not Applicable
Equality Analysis / Human Rights Assessment completed	Not Applicable

Executive Summary

This report updates Governing Body on the financial position of the CCG for the period ending 30th June 2019.

At month 03, the CCG is forecasting to meet its business rules by breaking even in the financial year and achieving its control total.

There are a number of pressures within the financial position :

Acute: Acute is forecast to over spend by £1,547k primarily due to over performance at Pennine Acute in relation to Non-Elective activity. This can be seen within the general medicine specialty where it has been noted that the complications and comorbidities (CC) score is consistently higher than the CCG has previously seen.

Mental Health: Mental Health is forecasting to overspend by £360k mainly due to increased observations for a long-term LD patient in Cheshire and Wirral Partnership NHS Foundation Trust.

Members are asked to

- Note the content of this report and the associated risks.

1. CCG Financial Overview

Key Financial Indicators					
1 Operate within Delegated Expenditure Budget (£000s)					
	Plan	Actual	Variance	Result	Trend
Cumulative to date	94,844	93,906	(938)		
Year end Outturn	387,631	383,881	(3,750)		
Budgets have been set to ensure HMR CCG achieves a £3,750k control total in 2019/20 which is 1.1% of the core resource allocation.					

2. Performance Month 03

Table 1 summarises the Financial Position at the end of Month 03.

	Budget	WTE Estab	WTE Worked	Budget YTD	Actual YTD	Variance YTD	Forecast Outturn	Forecast Variance
Allocations	(387,631)	0	0	(94,844)	(94,844)	0	(387,631)	0
Historic Surplus Requirement	3,750	0	0	938	0	(938)	0	(3,750)
Total Allocations	(383,881)			(93,906)	(94,844)	(938)	(387,631)	(3,750)
Admin								
Running Costs	4,671	47.38	45.40	1,123	1,039	(84)	4,537	(134)
Total Admin	4,671	47.38	45.40	1,123	1,039	(84)	4,537	(134)
Programme								
Mental Health	39,629	0.00	0.00	9,855	9,871	16	39,990	360
Acute	189,733	0.00	0.00	46,939	47,116	177	191,280	1,547
Primary Care	13,706	13.40	12.00	2,641	2,635	(5)	13,670	(36)
Co-Commissioning	31,873	0.00	0.00	7,621	7,621	0	31,873	(0)
Prescribing	37,189	0.00	0.00	8,838	8,838	(0)	37,189	0
Continuing Care	11,689	13.70	14.55	2,799	2,774	(25)	11,650	(39)
Community Health Services	46,892	0.00	0.00	11,620	11,621	2	46,893	1
Other	9,928	14.20	14.20	2,417	2,390	(27)	9,904	(24)
	380,640	41.30	40.75	92,730	92,867	137	382,449	1,809
Reserves and Contingencies	(1,430)	0.00	0.00	53	0	(53)	(3,105)	(1,675)
Total Expenditure	383,881	88.68	86.15	93,906	93,906	0	383,881	0
(Surplus)/Deficit	(0)			(0)	(938)	(938)	(3,750)	(3,750)

At month 03, the CCG is forecasting to meet its business rules and achieve its control total.

3. Financial Performance

MENTAL HEALTH

At Month 3 Mental Health Services is showing a forecast overspend of £360k due to the following:

- Increased costs for Observations for LD Patient: - £290k
- Additional costs for Individual Commissioned Packages: - £115k
- Increased costs of the Enhanced Acute Capacity Beds (Pennine Care): - £44k

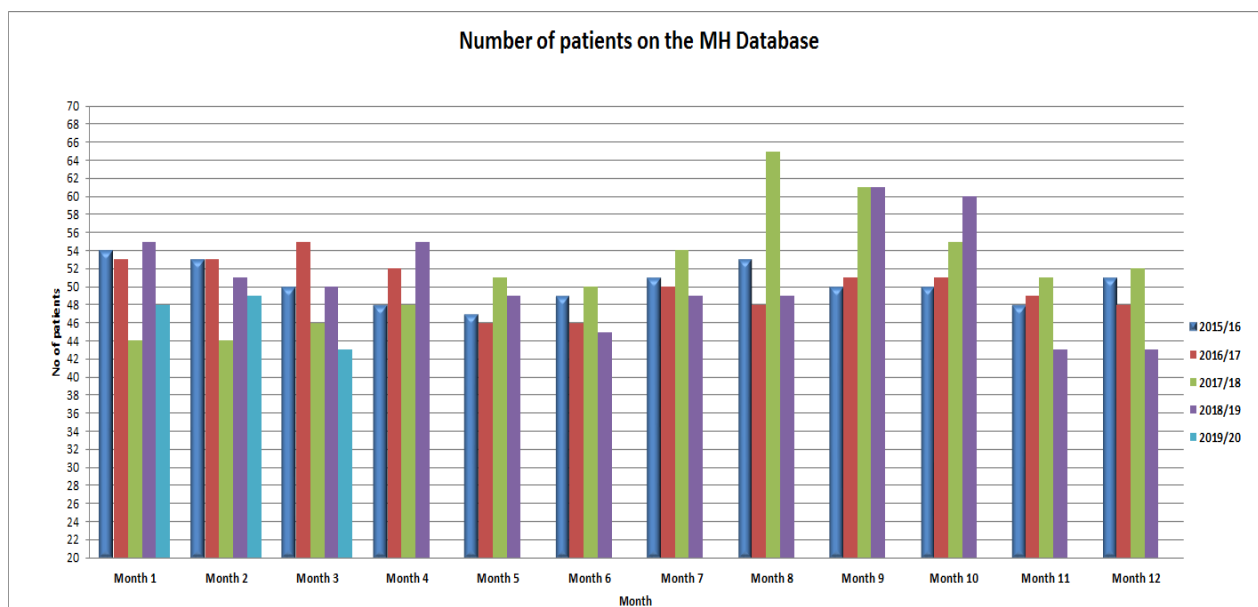
This has been partially offset by -

- Funding from Mental Health Investment Standard as a consequence of in year slippage on the IAPT and EIP investments: - £100k

The CCG has a patient at Cheshire and Wirral NHS Partnership in a Learning Disability bed. The cost of the bed is funded through the Greater Manchester CCG risk share for which the CCG pays a contribution of £50k. This patient was assessed in May 2019 and required increased observations at a cost of £25k a month. This has led to a forecast overperformance of £290k that is over and

above the agreed contract value. This assumes the patient requires this level of observation for the full year which the CCG is investigating.

The CCG pays for individual commissioning Mental Health Packages. Based on month 3 activity the CCG is forecast to overperform by £115k. The following graph shows the number of patients on individually commissioned Mental Health Packages from 2015-2016 to present: -



The graph shows that individualised commissioning packages of care in 19/20 as at Month 3 are fewer than in 18/19 as at month 3, but the cost of packages are higher due to patients requiring long stay care in settings such as Learning Difficulties, Continuing care and Section 117 Learning Difficulties rather than Acute and Psychiatric Intensive care which are at a lower cost but higher volume of patients.

The cost of the Enhanced Capacity Beds at Pennine Care (12 additional beds) are split across commissioners based on the 16/17 service line reporting adopted for activity planning purposes with a risk share on utilisation. Based on this plan and the bed usage at month 2, the expected annual forecast spend is £872k which is £44k over plan.

One of the areas of overperformance in 18/19 was the number of patients requiring Acute Mental Health Beds and the cost to the CCG which equated to £2.1m above the block contract. Additional investment in the Acute Mental Health Beds (Pennine Care) and Priory beds was meant to reduce the demand in spot purchases of Acute Mental Health beds, but this was not the case in 18/19. The trend has continued in Quarter 1 of 19/20 and work is being undertaken with the provider Pennine care to understand the reasons for admissions, and ensure appropriate services are commissioned to deal with the high number of admissions.

Mental Health transformation work has started on crisis management with the commencement of the Safe Haven in April 2019. This should assist the CCG in reducing the number of people in Acute Mental Health Beds by ensuring patients are referred and monitored in appropriate settings and reduce the pressure in A&E.

ACUTE SERVICES

At Month 3, Acute Services are over performing by £177k based on the Month 2 activity data but forecasting to over perform by £1,547k at year end.

The over performance is detailed further in the Contract Performance (Activity) section.

Area	Includes (but not exhaustive)	Annual Budget	YTD Budget	YTD Actual	YTD Variance	Forecast Variance
Private Providers	BMI, Oaklands, CareUK	3,348,935	829,409	849,192	19,783	64,446
Diagnostics	Mediscan, Broomwell Healthwatch and Lancaster House	1,291,357	322,827	306,859	(15,968)	(14,761)
NHS Trusts	PAHT, Leeds & East Lancs	119,783,571	29,925,559	30,590,169	664,610	1,500,000
NHS Foundation Trusts	MFT, SRFT, WWL, Tameside	24,767,815	6,188,901	6,084,527	(104,374)	0
NHS Trusts NCA	Ad hoc or Non recurrent	-263,292	-328,585	-322,535	6,050	4,608
General	PAHT POCT Tests	69,815	17,451	17,451	0	0
	Stockport Cardiac Triage	8,480	2,118	2,120	2	0
	RNIB	9,300	2,325	2,325	0	0
	Elective Care Plan	0	0	0	0	0
Childrens Services	Alder Hey	102,086	25,521	20,813	(4,708)	0
CATS	CareUK, Durnford Dermatology, InHealth	2,606,248	621,436	574,311	(47,125)	(509)
IECP	PAHT, BMI & InHealth	23,608,188	5,902,044	5,569,948	(332,096)	0
High Cost Drugs	Baxters, BUPA	37,001	9,246	7,485	(1,761)	0
NCAs	Various	1,661,741	415,434	415,434	0	0
Ambulance	NWAS	9,456,083	2,364,015	2,356,949	(7,066)	(7,000)
System Resilience	PAHT, RMBC	1,159,205	287,436	287,436	0	0
Transformation Monies	Various	2,086,264	353,836	353,836	0	0
		189,732,797	46,938,973	47,116,320	177,347	1,546,784

The Acute services forecast of £1,547k over performance for 2019/20 is based on the Pennine Acute forecast position as they have seen continued over performance at Month 02. The CCG has a contract reserve of £1.5m to cover this pressure, but it needs highlighting early that this level of performance is unsustainable for the CCG.

Contract Performance (Activity)

Integrated Elective Care Pathway (IECP)

IECP is under performing £332k at month 2. This is mainly due to trauma & orthopaedic day cases and elective activity. These are under performing £171k and £103k respectively.

The trauma & orthopaedic specialty is currently under performing across the Pennine Acute footprint due to staff shortages, but it will be most evident under the IECP contract for the CCG. They currently have 6 consultant vacancies, 2 are out to advert and they are using locums to cover. However, there is still significant underperformance. The CCG is continuing to monitor the situation and has requested regular updates on the recruitment as it progresses.

There is no reason to believe this under performance isn't recoverable at this stage, as the waiting lists have increased to 5.7% because of the underperformance. To be prudent, the IECP is forecasting a break-even position for 2019/20 as at month 03.

Pennine Acute Hospitals (PAHT)

The contract for 2019/20 is a full Payment by Results (PbR) contract for Elective whereby the CCG will pay for the actual activity. For Non-Elective, there is a proposed cap and collar across the North East Sector CCG's. Based on this proposal, the table below shows what the CCG will pay depending on the Trusts under and over performance. If performance is below or above 5% of plan, then the Trust and CCG must meet within 10 working days to discuss any matters that either party considers necessary in relation to the current over / under performance. Currently, the trust is overperforming by 106.2%. This has resulted in a year to date pressure of £569k.

Non-Elective Cap and Collar:

Emergency Care Threshold(s)	Emergency Care Marginal Price Percentage (being the percentage of Unit Price to be paid or deducted for Emergency Care Services delivered above or below the Value of Planned Activity)
Where the Emergency Care Activity Value:	
< 95 % of the Value of Planned Activity	-50
> 95% - 99.4% of the Value of Planned Activity	-20
>99.4% - 100.6% of the Value of Planned Activity	-100
>100.6% - 105% of the Value of Planned Activity	20
>105% of the Value of Planned Activity	50

There are mitigating factors to consider when considering the over performance at Pennine Acute two such factors come from the contract challenge process, these are:

Blood Withdrawals – Unspecified blood withdrawals have been conducted as a day case and attracted a higher tariff than they would when conducted as an outpatient. There is no significant difference to the patient experience. This was successfully challenged during the contracting round and the plan value was reduced accordingly. However, PAHT haven't been able to enact this change to date and are still charging the day case rate. The Trust are adding a credit to the data to reflect this, but it currently doesn't reflect the level of activity that is being done. The North East Sector CCGs are in discussion with the Trust to add a reconciling adjustment to reflect the higher level of activity. This could possibly be in the region of £200,000 full year additional credit for the CCG which has not been included in the month 3 forecast.

Procedure of Limited Clinical Value (PLCV) - These are procedures which national experts have suggested have only limited or temporary benefit, and which are not felt to be necessary to maintain good health. This means they need to be considered on a case by case basis and meet strict criteria before they can be funded. However, audits have revealed that the Trust may have conducted some of these procedures when they do not meet the criteria. In 2019/20 the North East Sector CCGs along with the Trust will strive to ensure these unnecessary procedures are not performed. In the meantime, the CCGs intend to withhold payment for those which are deemed inappropriate once further investigation to finalise these values has been completed.

Also, at the request of the CCG the Trust is going to review some case files for patients with high complications and comorbidities scores to ensure the coding is accurate.

PAHT is forecasting £1,500k over performance for 2019/20, based on the activity data and the factors above. Future reports will update on these contract challenges and the outcomes of the audits with the forecast being adjusted as appropriate

Salford Royal Foundation Trust (SRFT)

SRFT are under performing £171k at Month 2. This is mainly in three areas – Elective £100k, Critical Care £40k and Non Elective £35k.

The Elective under performance is due to reduced activity in high cost procedures in specialties such as bariatric surgery, neurosurgery and nephrology. As these are high cost, low volume areas this under performance doesn't raise any concerns and may be recovered in year. Critical care, by its very nature is ad hoc and high cost.

SRFT is forecast to break even this year as the under performance is not expected to continue and activity can be brought back in line with plan.

PRIMARY CARE AND PRESCRIBING

Delegated Co-Commissioning

At month 3 the CCG is forecasting a break-even position for Delegated Co-Commissioning. In 19/20 the Delegated Co-Commissioning allocations have been reduced by £944k for GP Indemnity. This means there are no available uncommitted reserves within Co-Commissioning to invest in Primary Care in 19/20 as there has been in previous years.

Primary Care Networks: -

The Primary Care Network DES is part of the new 5-year GP contract introduced from 1 April 2019. The DES gives practices the opportunity to come together as a network working closely with other primary care and community staff and health and care organisations to provide integrated services for their local populations. The total amount of national funding flowing through Networks DES for HMR equates to circa £1.3m for the period 1 July 2019 until 31st March 2020 for which the CCG has received an additional £980k to cover the PCN Leadership, Additional Roles and the Participation DES, with the existing Extended Hours DES being reinvested into the PCN. Similar funding levels continue for the following four years with additional opportunity for networks to bid for funding from the Investment and Impact Fund for initiatives to support delivery of the NHS Long Term plan.

The CCG are also required to invest the previously identified £1.50 per head of £352k into Primary Care Networks for Network Support. The table below shows a breakdown of what will be given to the Networks in 2019/20 and how this has been calculated.

Number	Description	£000	Budget Rationale	Note
1	GP PCN Leadership	91	£0.51 per head of population (raw list size)	To be used to fund backfill to allow a clinical Director for each Network. Funded from Q2 onwards in 2019/20. Full year £121k.
2	Additional Roles	454	£1.84 per head of population (weighted list size)	To be used to fund 70% of clinical Pharmacist costs (Band 7 to 8a) and 100% Social Prescribing Link Workers (up to band 5). Physician associates and first contact physiotherapists being added to here 2020 and first contact community paramedics in 2021
3	Participation DES	435	£1.76 per head of population (weighted list size)	Payment to the network for GP's to be part of the PCN's
4	Extended Hours Access DES	347	£1.45 per head of population (raw list size)	To be used to support Extended Hours Coverage for each PCN
5	Network Support	352	£1.50 per head of population (raw list size)	To be used as PCN chooses
	Total	1,679		

Prescribing

Prescribing data is received 2 months in arrears. At month 3 we have received 1 month of data, but due to the volatile nature of prescribing, a true year end position is difficult to forecast until the end of quarter 3. We have therefore forecast a break-even position. However, it must be noted that there are a number of QIPP (£800k) and transformation schemes (£916k) associated with prescribing for 2019/20, so these will need to be monitored closely to ensure they are delivered.

Continuing Care

At Month 3 the CCG is forecasting a non-recurrent underspend position of £39k by year end for CHC & FNC. this underspend is due to several vacancies within the team.

The joint CHC admin and nursing team is being transferred to HMR CCG commencing 01st July 2019. Previously the team worked across both HMR and Bury CCG. Going forward, the team will work solely for HMR. Anticipated savings with regards to additional reviews and use of the Local Authority PAS system has been used to support the new staffing structure. This will need to be

closely monitored throughout this financial year to ensure a financial pressure does not arise from this restructure.

COMMUNITY HEALTH SERVICES

At Month 3, Community Health Services are forecasting a break-even position.

Pennine Care Community Adult Services

In 2018/19, Pennine Care NHS FT gave notice on the following Community Contracts; Audiology, Podiatry, RBMS, MSK and Posture and Mobility, which would allow the trust to concentrate on its core Services in Mental Health. These Community Services moved to Salford Royal from the 1st July 2019. To ensure there are no cost pressures to the CCG in 2019/20, £500k has been set as a reserve to mitigate any financial issues that may arise because of the transfer that the CCG may be liable for.

Community Neuro Rehab Update

At the start of April 19 there were three neuro rehab patients in high cost private placements (£600k annually). One of these patients is now no longer eligible to receive CCG funding while there has been one new patient admitted to a private placement, on May 10th. Consequently, there are still, currently, three private placements funded by the CCG.

The newly enhanced Pennine Acute 'Community Neuro Rehab Team' (CNRT) have recently been given authorisation, by the CCG, to review these three patients. The review is to assess the patient's suitability for repatriation into more suitable care, such as the Community.

In addition to this the CNRT will now attend any 'Individual Funding Request' panel, where there is a new Neuro-Rehab funding request, on the agenda. This will mean that the CNRT will now assess a patient's suitability for a Community placement, as an alternative to being admitted to a high cost private placement.

Running Cost Allowance

Running costs for the CCG are forecast to underspend £134k at month 3. The main areas contributing to the underspend are Commissioning team, Clinical support, performance and Quality assurance. This is due to vacant posts currently being carried and additional savings made from staff sacrificing salary to purchase additional leave.

A review and consultation are being undertaken of the commissioning team structure with a view to forming a joint commissioning directorate with the local authority. Once the new structure is implemented the running cost forecast will be reviewed and any movements will be reported in future months.

The CCG is expecting a reduction of £552k in its corporate running cost allowance, down from £4,674k in 2019/20 to £4,122k in 2020/21.

The finance team will be working closely with the relevant budget holders for the remainder of this financial year to identify further savings to plan and manage this reduction.

4. Statement of Financial Position

	31/05/2019	30/06/2019	Movement
	£	£	£
CURRENT ASSETS			
Cash & Cash Equivalents	68,689	58,180	-10,509
Current Trade And Other Receivables	1,852,435	2,337,670	485,235
TOTAL CURRENT ASSETS	1,921,124	2,395,850	474,726
CURRENT LIABILITIES			
Current Trade And Other Payables	-26,053,421	-24,916,715	1,136,707
TOTAL CURRENT LIABILITIES	-26,053,421	-24,916,715	1,136,707
TOTAL CURRENT ASSETS/(LIABILITIES)	-24,132,297	-22,520,864	1,611,433
TOTAL NET LIABILITIES	-24,132,297	-22,520,864	1,611,433
TAXPAYERS EQUITY			
I&E Reserve - General Fund	392,697,094	20,375,374	-372,321,720
Net Gen Fund-PPA Drawdown	-431,541,280	-91,760,783	339,780,498
SUB TOTAL RESERVES	-38,844,187	-71,385,409	-32,541,222
Statement of Comprehensive Net Expenditure	62,976,484	93,906,273	30,929,789
TOTAL TAXPAYERS EQUITY	24,132,297	22,520,864	-1,611,433

Current Assets

At month 03, Total current assets are £2,396k which includes £58k for cash.

£854k is on the balance sheet for the maternity pathway, which will be offset at year end with an invoice from Pennine Acute. £520k was paid by faster payment to Springhill Hospice. This will be matched to the invoice in July and will no longer sit on the balance sheet. £236k has been prepaid for Co-Commissioning Premises costs.

Current Liabilities

At month 03, Current Trade and Other Payables are £24,917k.

The current position relating to liabilities includes prescribing accruals for May and June of £6,210k and £3,291k for Transformation Costs. £5,455k has been accrued for Continuing Health Care and Funded Nursing Care to bring it in line with the Database. £343k has been accrued for Non-Contract Activity (NCA's). £332k has been accrued for the Mental Health Database. £2,220k has been accrued for the 18/19 Core Plus 2 Balloon Payment and this invoice will be paid in July.

5. QiPP

The current Pooled Budget Gap is £12.69m with proposals being presented to the July ICB to reduce the gap to £10.43m if all schemes are delivered as per the table below:

Savings Schemes by Phase	Savings (19/20)	Change from last report (19/20)	Additional savings (20/21)	Change from last report (20/21)	Total Savings	RAG
Phase 4 - Benefits Monitoring - Budget not removed	£539		£130		£669	
S1. IVF – Reduction in number of funded cycles	£130		£130		£260	Low Risk
S21. Community Neuro Rehabilitation Team Service Review	£409				£409	Medium Risk
Phase 3 - Implementation	£225	£-40	£55		£280	
S6.a Avastin for the treatment of Wet AMD - Care UK	£48		£55		£103	Low Risk
S18. Reduction in Vitamin D Testing	£150				£150	Medium Risk
S23. Vasectomy Service Review		£-40				CLOSED
S26. Cardiology - ECG in Primary Care	£27				£27	Low Risk
Phase 1 - Initiation/ Case for Change	£1,292	£47	£2,950	£1,271	£4,242	
S6.b Avastin for the treatment of Wet age-Wet AMD - PAHT			£613		£613	High Risk
S12.b Use of Assistive Technology (20/21)			£535		£535	High Risk
S35a. Planned Care Review - IECF & MSK	£321	£54			£321	Medium Risk
S35b. Planned Care Review - Outpatients			£837	£787	£837	Medium Risk
S36. Urgent Care Review	£971	£-7	£965	£484	£1,936	High Risk
Opportunity	£200				£200	
S9. Musculoskeletal (MSK) Assessment	£100				£100	Medium Risk
S19. Posture and Mobility	£100				£100	Medium Risk
S31. Mental Health Out of Area Placements						TBC
Total Costed Schemes	£2,255	£7	£3,134	£1,271	£5,390	
Pooled Budget Gap	£12,686		£21,758		£34,444	
Potential Pooled Budget Gap - Delivery of all schemes	£10,431		£18,624			
Potential Pooled Budget Gap - Delivery of low and medium risk schemes	£12,215		£20,737			
Potential Pooled Budget Gap - Delivery of low risk schemes only	£14,957		£21,574			

This still leaves a significant financial gap for 2019/20 so it is proposed that the strands of work below are developed further to deliver additional savings in 19/20 and 20/21:

- Public Health and Adult Social Care opportunities
- Improvements in contract monitoring
- Contract reviews
- Further Planned and Urgent Care review opportunities

The Public Health and Adult Social Care schemes that have currently been identified are for 2020/21.

Improvements in Contract Monitoring

Whilst contract monitoring mechanisms are in place, with a host of associated governance arrangements, it is essential to further develop this to support both improved understanding of the causes of any over or under performance and how these are addressed with the provider. Looking for additional savings becomes ineffectual if we overspend against what was the agreed core contract value.

If we effectively manage our contract, the following opportunities become available:

- 19/20 - £1.5m if contract delivers to plan (Acute over performance reserve)

To realise this opportunity, a robust internal process is currently being established to understand data and any causes of over/under performance quickly. To this end a matrix team approach including Commissioners, Strategic Intelligence and Finance has been developed. It is also key that commissioners and providers work closely together to understand performance against the contract. To this end it has been agreed that a small working group of BI and finance specialists from both commissioning and provider will work together to understand activity. This group will report directly into the Rochdale Sustainability Group

Activity and the impact of contract performance on the budget gap will also be reported to the Savings Delivery Board.

Contract Review

Rochdale Local Authority and HMR CCG hold a significant number of contracts across health and social care. Work has commenced to review these contracts based on the following principles:

- What do we get for our money?
- Are we getting value for money?
- Could we be more creative in the way we contract?
- Could we deliver services differently with our partners that support reducing cost?
- Is there any duplication?

Further Planned & Urgent Care Review opportunities

At the last meeting of the Integrated Commissioning Board, an overview of the Planned and Urgent Care Review was provided.

The Planned and Urgent Care Reviews are large pieces of work which will be completed over a significant amount of time. The savings identified to date are the initial opportunities only. Further savings will be identified and reported through Finance, Performance and Risk and ICB as the review progresses.

6. Medium term financial model 2020/21 to 2023/24

The CCG allocations for 2019/20 to 2023/24 are part of the deployment of NHS England's five-year revenue funding settlement, averaging 3.4% a year in real terms and reaching £20.5bn extra a year by 2023/24. CCG allocations are being set based on NHS England's five-year real terms revenue funding profile, which has now been set by Government as 3.6%, 3.1%, 3.0%, 3.0% and 4.1%. The CCG finance department has produced a forecast model for the financial years 2020/21 to 2023/24 based on these allocations which was presented to ICB on the 25th of June and to Leadership Team on the 2nd of July.

As already reported the financial forecast for the CCG in 2019/20 is presently a savings target of £7.5m apportioned £6.5m Pool and £1m Non-Pool.

The model takes a prudent approach that the £7.5m will be found through non-recurrent measures in 2019/20 and hence the starting point for 2020/21 is a deficit of £7.5m. The table below shows the annual increase in the financial pressure for the CCG and currently assumes that the savings plan is met non-recurrently. Any recurrent savings will reduce the in-year deficit as well as the cumulative deficit.

The CCG in the next 5 years needs to reduce its cost base by £33.7m.

This table is CCG values only and does not take account of the CCGs share of the pooled gap from local authority services.

	19/20	20/21	21/22	22/23	23/24
Deficit	£7.5m	£15.8m	£22.5m	£28.5m	£33.7m
Annual increase		£8.3m	£6.7m	£6.0m	£5.2m

Running Costs:

The reduction to the CCG running costs have been reflected in the model but there is also an assumption that the CCG is able to reduce its running costs in line with the allocation reduction,

so this does not impact on the bottom line of the CCGs financial plan. If this does not occur, then there is an additional financial pressure of £552k.

Continuing Health Care:

The Continuing Health Care budgets using a 3-year average have been increased by 4% c£500k per annum so this has been assumed in the model.

There is also the probability of a number of high cost packages being transferred back to the locality so a one off £750k has been included in the model for 20/21 to accommodate the transfer of these packages.

Acute:

Changes to national tariff have been modelled at 2.6% which is c £5m per annum and in line with 2019/20.

The Acute contract has consistently over performed so a provision for overperformance has been included at a value of £1.5m per annum. For context the overperformance in 2018/19 was £3m and would have been £5.7m without the cap and collar arrangement in place.

Early indications from the month 1 activity received for 2019/20 is that the contract will over perform this year.

It is imperative that the performance of the contracts is actively managed and that any overperformance is challenged and an action plan is developed in conjunction with the providers.

Mental Health:

Increased funding in Mental Health has been modelled in line with the increase to CCG allocations which is an investment of c£1.5m and represents the Government pledge to increase funding in Mental Health annually. The Mental health contract has historically overperformed so an additional £1m has been included in the model to reflect historical overperformance. The assumption is that this over performance will be managed going forward so is a one-off increase.

GM is under taking a number of Mental health transformational schemes, so the recurrent cost of these schemes has been included in the plan at £1.3m as per the guidance received from GM.

Community:

This has been uplifted in line with allocation increases as per the guidance received for 2019/20 c£600k per annum.

Primary Care & Prescribing:

Both budget lines have been increased in line with estimated population growth and inflation at c£1.2m per annum.

Other Programme and Primary Care Co-Commissioning:

These budget lines have been matched to the allocations which the CCG have planned to receive and therefore do not have a financial pressure.

Transformation:

The model does not take account of any savings or investment in the continuance of Local schemes, GM Cancer schemes, GM Primary Care schemes or GM Population Health.

7. Recommendations

Members are asked to:

- Note the contents of this report