REPORT TO THE WEST ESSEX CCG BOARD MEETING IN PUBLIC

Agenda Item: **11**

Date of Meeting: **28th November 2019**

Report title:	Draft Financial Plans 2020/21 and 2021/22
Author:	John Leslie Interim Director of Finance, Performance and Contracting
Clinical lead (where appropriate):	
Presented by:	John Leslie, Interim Director of Finance, Performance and Contracting
Recommended actions / next steps	The Board is asked to note the contents of the report.
The Board is asked to:	**Note** the contents of the report.
Executive summary (maximum 500 word limit) and purpose of the report:	To give an overview on the draft 2020/21 and 2021/22 draft financial plan and to highlight the key issues reflected.
CCG Committees / Groups previously consulted	None
Equality Impact Analysis	Not required
Key issues and risks:	Assumptions have had to be made regarding achievement of transformation and efficiency savings, inflation and growth projections, all of which may change during the year and affect the plan.
Links to CCG strategy/objectives	In line with CCG statutory duty to break even and ensure value for money in the management of the CCG resources.

Checklist for completion with all reports:

Indicate implications for:	
1. Patient and public engagement	No
2. Resources	No additional resources required
3. Health outcomes	Not applicable
4. Quality and Performance	Correct allocation of funding will support achievement of greater safety and quality for patients.
5. Information Governance	No IG implications have been identified.
6. Legal issues	No legal implications have been identified.
7. Conflict of interests	No conflict of interest issues have been identified.
8. Francis, Berwick & Keogh Report recommendations	This supports achievement of a whole systems approach to open and transparent patient centered leadership.

2020/21and 2021/22 Draft Financial Plans

1. 2019/20 Outturn

The CCG is currently forecasting delivery of its 2019/20 control total which is break-even in year and maintain the historic surplus of £9.995m.

The CCG has faced a number of in-year financial pressures primarily related to acute sector non-elective care, together with on-going demographic pressures related to continuing healthcare and shortfalls against planned levels of transformation savings. In addition the CCG has faced prescribing pressures as a result of removal of Category M drug rebates.

2. Underlying Financial Position

The CCG will exit 2019/20 in a recurrent deficit position of £2.1m after removal of all one off and other non-recurrent changes, this will have to be the first call on the additional growth monies. The reason for this is in the main the non-achievement of QIPP savings in 2019/20 on a recurrent basis, this is assumed to be addressed during 2020/21; however any non-delivery will need to be found in 2021/22 if this is not the case.

3. 2020/21 and 2021/22 Summary Financial Plans

The summarised financial positions of the CCG are set out in Appendix 1 and 2 attached. There is also a bridge for each year (appendix 3 and 4) which sets out the allocation of the growth funds received and its utilization. Below is a summary of the plans:

WEST ESSEX CCG **Draft Financial Plans 2020/21 & 2021/22** **Expenditure**	**2020/21** **£000's**	**2020/21** **%**	**2021/22** **£000's**	**2021/22** **%**
Acute	251,799	50.72%	261,229	50.53%
Winter Pressure	913	0.18%	913	0.18%
Community	27,400	5.52%	28,512	5.52%
Better care Fund	22,169	4.47%	23,402	4.53%
Mental Health & LD	40,667	8.19%	43,075	8.33%
Nursing care	23,707	4.78%	24,396	4.72%
Prescribing	43,650	8.79%	44,964	8.70%
Other Commissioned	4,741	0.95%	5,030	0.97%
Primary Care	49,225	9.92%	51,991	10.06%
Corporate Non Running	7,684	1.55%	7,834	1.52%
Running Costs	5,836	1.18%	5,836	1.13%
Reserves	8,632	1.74%	9,807	1.90%
Return of Surplus	9,995	2.01%	9,995	1.93%
	496,420	**100.00%**	**516,984**	**100.00%**
Resources				
Baseline	(433,650)	87.36%	(451,448)	87.32%
Delegated	(44,668)	9.00%	(47,434)	9.18%
Running Costs	(5,836)	1.18%	(5,836)	1.13%

Other	(479)	0.10%	(479)	0.09%
Return of Surplus	(9,995)	2.01%	(9,995)	1.93%
Specific Allocation	(1,792)	0.36%	(1,792)	0.35%
	(496,420)	**100.00%**	**(516,984)**	**100.00%**

4. CCG Allocations

The CCG has already received it growth allocations for the financial years to 2023/24, these have been used in creation of these plans. There will need to be a small adjustment to expected growth to account for the expected transfer of the Steeple Bumstead practice to South Norfolk CCG, as this would be matched with a reduction in cost it is assumed to be neutral at this point in financial terms.

Table 3 CCG Running Cost Allocations

The plans incorporate the expected running costs reduction of £758k in 2020/21.

5. Expenditure Commitments

With the increases in funding the CCG is expected to meet a range of costs implications and uplifts as follows:

6. Tariff

The CCG will meet the expected costs of tariff and other technical changes e.g. Clinical Negligence, whilst these vary slightly dependent on sector they have been calculated in line with national assumptions. The CCG has committed c£8m (net of efficiency) in meeting these costs including Primary Care delegation inflation.

7. Activity Growth Rates

The CCG is expected to commission activity growth in line with historic trends and expected local growth. An overall 2.4-3.6% has been used to meet the growth calculation though this will impact differentially across the totality of the CCG activity profile. The CCG has committed c£12m in meeting expected and planned growth rates including meeting additional Primary Care commitments.

8. Mental Health Investment Standard (MHIS)

CCGs are to mandated to continue to meet the MHIS which is calculated as being the CCGs headline level of funding + 0.7%, so c5% overall. This is auditable and CCG Boards are required to ensure compliance with this. Expenditure can be with any provider as long as they are on MH services. This again links to a government pledge to increase investment in MH services. The increased investments are part of the growth included above.

9. Primary Care

Primary Care growth and commitments are subject to further national guidance and the expansion of Primary Care Networks (PCNs) will bring both additional funds and commitments, these are assumed to be neutral overall in both the years of these plans.

10. System Payment Reform

As Board members are aware we have agreed to suspend Payment by Results (PbR) with PAH for all local activity. We will also seek to explore further opportunities to secure better value from current payment methods during the course of these plans.

11. Quality Premium

The quality premium payment has ceased and does not feature in these plans.

12. Provider and Commissioner Support Payments

As part of the move towards the creation of an ICP, as part of the agreement the CCG will share the risk on its commissioned services with PAH. PAH are currently in receipt of national provider support, this will be reflected in the individual PAH overall financial plan, the CCG is not expecting to be in receipt of any commissioner based support.

13. Control Total (CT)

We have been advised by NHSE that our control totals for 2020/21 and 2021/22 is the creation of a surplus of £2.2m (2020/21 and £2.3m (2021/22) (also maintenance of historic surplus £9.995m, at existing levels).Both these sums will need to be held by the CCG and will form part of the creation of a regional wide risk pool, so it is likely that they will need to be committed annually, in planning terms whist they have been committed it is assumed that they will be available annually with only the increase in the CT reflected in the 2021/22 plan. The plans make no assumption in relation to the repayment or recovery from the regional risk pool. The CCG will be managing the Control Total jointly with PAH and future reporting will demonstrate how we are performing against a “system” Control Total as part of the risk management approach to the implementation of the Allocative Contract.

18 Summary of Transformation & Efficiency Savings

The total QIPP target for the CCG is £11m gross for 2020/21. Provided this is delivered recurrently there will be a modest QIPP target required for 2021/22 however the system has not historically created headroom for innovation through the setting up of pump priming or double running costs and it is likely that he QIPP requirement will increase once the exact transformation ask is known.

19 Capital

The CCG has no current planned capital spend for 2020/21 or 2021/22.

20 Key Financial Risks

QIPP/System Efficiency

The CCG’s must achieve its current QIPP challenges and contribute towards wider system efficiency on a recurrent basis to ensure the integrity of the current plans. Any shortfall will be required to be met the following year together with meeting the costs of any increases of recurrent costs pressures not managed.

a. Acute demand

The CCG will work with colleagues at PAH to manage a large proportion of the local acute demand; it must also develop plans to stem the demands in other acute providers or risk having to increase efficiency locally to fund the same.

The CCG has planned for prudent levels of activity in both years' plans but delivery of contracts within the parameters set is essential to meet the overall plans.

b. Continuing Healthcare

The Continuing Care run rate associated with new care packages has grown very significantly over the past few years. It is anticipated that this will continue during 2020 to 2022. The CCG has provided inflation and demographic uplifts in both years, but costs continue to escalate. In addition costs for retrospective cases not covered by the NHSE risk pool continue to emerge and some non-recurrent funding has been set aside for this purpose in both plans.

c. Prescribing

The CCG is facing a volume and a price risk going into 2020/21 and 2021/22. Ongoing efficiency is assumed and greater collaboration across both primary and secondary care should contribute to additional savings

21 Recommendation

The Board is asked to note the content of the draft financial plans and to consider some of the issues raised by this report. A detailed budget will be coming to the next public Board which is expected to set out in greater detail the expected financial allocations for the next two years.

11 appendix 1 - Copy of Resource Allc