

***2 Year Financial Plan 2014/15 to 2015/16***



***NHS Stockport Clinical Commissioning Group*** will allow

people to access health services that empower them to

live healthier, longer and more independent lives.

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**Executive Summary**

|  |
| --- |
| **What *decisions* do you require of the Governing Body?** |
| To approve the 2 year Operational Financial Plan covering 2014/15 to 2015/16. |
| **Please detail the key points of this report** |
| * Approve CCG’s 2 year operational financial plan 2014/15 to 15/16 * Approve the scope of investments proposed in line with NHSE guidance * Acknowledge and support the QiPP programme in both years * Note the level of financial risks inherent in the plan |
| **What are the likely impacts and/or implications?** |
|  |
| **How does this link to the Annual Business Plan?** |
| Links to CCG Strategy as set out on Plan on a Page |
| **What are the potential conflicts of interest?** |
| Proposed investments in Primary Care & Community Providers within Stockport. |
| **Where has this report been previously discussed?** |
|  |
| **Clinical Executive Sponsor:** Ranjit Gill |
| **Presented by:** Gary Jones |
| **Meeting Date:** 2nd April 2014 |
| **Agenda item:** |
| **Reason for being in Part 2 (if applicable)** |
| N/A |

**Financial Plan 2014/15 to 2015/16**

**1 Introduction**

* 1. This paper presents the draft 2 year Operational Financial Plan for 2014/15 & 2015/16 for approval by the Governing Body. The report will also provide a ‘high level’ forward look of our draft strategic financial plan covering 2016/17 to 2018/19 (years 3 – 5) although this latter element requires final approval by 20th June. Appendix 1 attached provides a summary overview of the 5 year outlook.
  2. The plans have been formulated based on the requirements of National Planning Guidance (Everyone Counts: Planning for Patients 2014/15 to 2018/19) published in December 2013.
  3. The timetable for the submission of our plans to NHSE is as set out in the table below:-

|  |  |  |
| --- | --- | --- |
| **Activity** | **Deadline** |  |
| * **Final** 2 year operational plans (14/15 & 15/16) + **Draft** 5 year strategic outlook | 4.4.14 |  |
| * Submission of final 5 year strategic plan | 20.6.14 |  |

The CCGs operational financial plans must be approved by the Governing Body by 31st March 2014.

* 1. Assurance of CCG plans will be led by NHS England Local Area Team (GM). The 2 year Operational Plans will be assured at CCG and at Health & Wellbeing Board level as per National Guidance

1. **Financial Planning Requirements**

2.1 The planning guidance issued by NHSE sets out the financial plan requirements that all CCGs must plan to deliver in each financial year upto 18/19. The statutory financial duties to be delivered by the CCG are:-

* **Revenue** – maintain spend within notified ‘Revenue Resource Limit (RRL)’ in delivering against performance targets (see Table 1 below).
* **Cash** – maintain cash spend within the ‘Maximum Cash Drawdown (MCD) limit set by NHSE.

Table 1 below sets out the financial performance targets the CCG is required to deliver against:-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 1: Planning Requirements** |  |  |  |  |
|  |  | 2014/15 | £m | 2015/16 ~ 18/19 |
|  |  |  |  |  |
| Recurrent Surplus (% of alloc) |  | 2.5% | £8.8m | 2% |
| In-Year Surplus (% of alloc) |  | 1% | £3.5m | 1% |
|  |  |  |  |  |
| Set Minimum contingency |  | 0.5% | £1.75m | 0.5% |
|  |  |  |  |  |
| Non Recurrent Investments |  | 1.5% | £5.3m | 1.0% |
| Call to Action Fund |  | 1.0% | £3.5m |  |
| Better Care Fund |  |  |  | 3.0% |
|  |  |  |  |  |
| Running costs not to exceed |  | £25 per head |  | £22.50 per head |
|  |  |  |  |  |
| Better Payments Practice code |  | 95% < 30 days |  | 95% < 30 days |

2.2 As in previous years, the 1% in-year surplus is planned to be returned non recurrently the following year although NHSE guidance now states that the CCG has to propose how this will be used rather than ‘automatic’ return.

1. **National & Local Context**

National Context

3.1 The national context sets out the stark and challenging position that the NHS needs to address the £30bn funding gap by 2020/21”. This calls for ‘unprecedented scale & pace of change’ via transformational reform and will require a significant shift in activity and resource from the hospital sector to the community. This challenge is reflective of the local position here in Stockport and it is against this backdrop that our plans aim to explicitly address. The financial year 14/15 is seen as the year of investment in transformation as directed by the need to set aside a 1% Call to Action Fund.

Local Context

3.2 The aim locally is to ensure that our plans are robust and can ensure that the CCG maintains financial stability during a period of significant change and transformational reform. This requires taking significant costs out of the current system and sourcing alternative delivery methods which will meet the ongoing health needs of our population which can be sustained going forward within the resources available to us.

3.3 The creation of the ‘**Better Care Fund’** (BCF) is seen as the “potential to improve sustainability and raise quality” by providing an opportunity to transform local services via better integrated care and support in the community. The CCG is required to set aside 0.3% of its resources (c£1.1m) as investment into the BCF pool and then a further 3% (c£10.5m) investment in 15/16. This is met from the CCG existing resources i.e. no new money has been made available for this.

1. **Financial Plan 2014/15 to 2018/19**

**Allocations**

* 1. The NHSE announced 2 year allocations for CCG for 14/15 & 15/16 in December 13. NHSE has introduced a new funding formula for CCGs which has seen a differential growth being applied nationally across CCGs. Whilst the CCG has been identified as being ‘funded under its target level’ at -4.5% (referred to as Distance From Target), the CCG has only been awarded funding growth at **minimum ‘floor’ level** in both 14/15 & 15/16 as shown in table below.

|  |  |  |
| --- | --- | --- |
| **Table 2 : Notified Allocations (Recurrent)** |  |  |
|  | **14/15** | **15/16** |
|  | £’000 | £’000 |
| **Programme Budget Allocation (excl running costs)** | **£342,685** | **£349,152** |
| **Running Costs Allocation** | **£7,162** | **£6,424** |
| **Better Care Fund** | **£0** | **£5,881** |
| **Total Recurrent Revenue Allocation** | **£349,847** | **£361,457** |
| Funding Uplift (at minimum floor level) | 2.14% | 1.70% |
| Funding per head - Actual | £1,132 | £1,145 |
| Funding per head - Target | £1,186 | £1,200 |
| Distance from Target - (under) / over | -4.53% | -4.59% |
|  |  |  |

* 1. The CCG also expects to receive non recurrent allocations as set out in Table 3 below. However, whilst the PbR Excluded drugs transfer has been agreed with NHSE this has not been formally notified and therefore not reflected within the plan. This will have a neutral impact on our bottom line as the cost will also need to be included within acute budgets.

|  |  |  |
| --- | --- | --- |
| **Table 3 : Non Recurrent Allocations** | |  |
|  | 14/15 | 15/16 |
| Prev Year surplus return | £4,780 | £4,780 |
| NHSE - PbR excluded drugs | £2,969 | £2,969 |
| GP IM&T | £0 | £0 |
| **Total** | **£7,749** | **£7,749** |

*Previous Year Surplus Return*

Historically, any surpluses generated are returned as a non recurrent allocation the following i.e. surplus in 13/14 returned in 14/15. NHSE guidance now states that this is now subject to review and as such automatic return can no longer be guaranteed for the following year.

*PbR Excluded Dugs*

It is expected that the ‘PbR excluded drugs’ transfer from NHSE will be made recurrent in 14/15 and form part of 15/16 recurrent allocation going forward. Confirmation of this allocation is awaited from NHSE. The costs of this are set within the acute contract with Stockport Foundation Trust.

*GP IT*

The responsibility for GP IT will transfer to the CCGs in 14/15 although notification of the allocations by NHSE is still awaited. Members should note that neither the allocation nor expenditure commitment has been reflected within our opening plans.

**Expenditure Budgets**

**Baseline budget 14/15**

4.3 The CCGs opening recurrent expenditure budgets in 14/15 are £344,306k based on the expected forecast outturn position for 13/14. The proposed opening budget for 2014/15 is attached at Appendix 2. Members should also be aware that at the time of preparing this report, not all contracts for 14/15 have been agreed.

**Inflation & Demand Growth**

* 1. Inflation & efficiency (i.e tariff deflator) have been applied to budgets in line with planning guidance.
  2. Also included in the opening budgets is the impact of demand growth (volume/activity and cost) which reflects natural growth trends which otherwise arise if left unchecked. This mainly reflects growth in secondary care activity (2%) and prescribing growth (3%). The avoidance of this pressure is reflected within our CIP/savings targets.

**Investments**

4.6 Set out in Appendix 3 is the proposed list of recurrent investments in 14/15 & 15/16 which have been reflected within the 2 year plans. These schemes align to our strategic priorities. The schemes identified for 15/16 will be subject to ongoing review in light of developments during 14/15 but these do signal our intent and strategic priorities at this time.

***Recurrent***

4.7 Attached at Appendix 4b is a summary which shows our total of our proposed investments (Option 1) and also provides members with 2 further options which consider (i) ‘scaled back’ of recurrent investments and (ii) ‘High Risk’ fund all investments proposed strategy. Option 1 reflects the investment level reflected within the 2 year plan with Options 2 & 3 presenting variations on our investments which either reduce or add to the proposed investments in option 1. It is important that members understand the impact of these decisions on our savings target. As such, a CIP line has been provided so members understand how CIP targets change in line with investment decisions.

***Non Recurrent***

4.8 In line with NHSE planning guidance, we are required to set aside non recurrent investment of 2.5% in 14/15 (then at 1% level in 15/16 and beyond) comprising 1% Call to Action and 1.5% local discretion. Table 4 below sets out the split of the 2.5% between various elements:-

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Table 4 : Split of NR investments 14/15** | | |  |  |
| Split of Non Recurrent investments | | |  |  |
|  | % | £'000 |  |  |
| Call To Action | 1.0% | £3,505 | (see Appendix 4c) | |
| Local investments | 1.2% | £4,342 |  | |
| Local GM Levy | 0.3% | £1,028 |  |  |
| **Total** | **2.5%** | **£8,875** |  |  |

4.9 GM CCGs have agreed to the continuation of a GM Levy set at 0.3% in 14/15 (£1.028m) to fund ongoing commitments/strategic reforms across Greater Manchester e.g. Healthier Together. The proposal for 15/16 has yet to be agreed but we expect this not to be higher than the 0.3% level.

4.10 Member are asked to review and recommend the use of the ‘Call to Action’ Fund (£3.5m) and the use of £5 per head GP investment (£1.5m) included within our Local investments (Table 4 above). These are to support one-off investments in 14/15 only. The scope of these funds is specifically targeted at :-

1. Call to Action - supporting the Transformation agenda.
2. £5 per head – targeted at over 75’s patient group in reducing avoidable hospital admissions.

Appendix 4c sets out the resources available from (i) & (ii) above and the proposed scope/outline for the use of these monies. The scope of investments exceeds the funding available and so members are asked to agree those areas meeting our strategic need. It is a key priority that these investments are seen as the delivery mechanism for supporting transformation and reducing current levels of activity and costs at our acute Providers.

4.11 NHSE have proposed a Risk pool for CCGs nationally to be used in settling ‘Continuing Healthcare restitution’ claims which were previously provided for within the 12/13 accounts of the former PCT. The provision set aside by Stockport PCT, which was sufficient to meet all claims, was transferred to NHSE under the Transfer Order arrangements. If this ‘Risk-Pool’ requirement is mandated on the CCG then the costs will have to be re-provided for again and this will bring about a c£1.3m budget pressure which will impact on our planned surplus. This matter is ongoing with NHSE & CCG colleagues in working through a local arrangement on this.

4.12 As is the case in 14/15, this non recurrent investment by the CCG will be subject to the same business cases review and approval process by the NHSE (GM Area Team) which must be submitted by end of June 2014.

**Contingency**

4.13 National Guidance suggests that CCGs set aside a minimum of 0.5%. Given the challenges faced by the CCG and already acknowledged risks around GP IT , pressures in prescribing cost growth, we have set aside a contingency at 0.7% (£2.2m). Even at this level, this is insufficient to meet these known risks let alone any additional unforeseen in-year pressures.

**CIP / Savings Targets**

4.14 Appendix 1 highlights our 2 year savings target analysed on both a recurrent basis and a non-recurrent basis. Table 5 below summarises both the planned level of investments and the savings targets for both years based on the proposed level of investments (Option 1). Both these factors have been shown as there is a direct correlation between investments and savings targets.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table 5 : Summary of QiPP/ Saving targets 14/15 & 15/16** | | | |  |  |  |  |
| As Per Option 1 | 14/15 | | |  | 15/16 | | |
|  | Recurrent | Non Rec | In-Year |  | Recurrent | Non Rec | In-Year |
|  | £'000 | £'000 | £'000 |  | £'000 | £'000 | £'000 |
| Investments Proposed | £1,610 | £8,875 | £10,485 |  | £3,515 | £3,615 | £7,130 |
| Savings Requirement | (£9,438) | (£2,348) | (£11,786) |  | (£10,702) | £1,117 | (£9,585) |

Table 6 below shows how the savings targets have been scoped across prescribing and activity & other.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Table 6 - High Level Analysis of targeted CIP** | | |  |  |  |  |  |
| As per Option 1 | 14/15 | | |  | 15/16 | | |
|  | Recurrent | Non Rec | In-Year |  | Recurrent | Non Rec | In-Year |
|  | £'000 | £'000 | £'000 |  | £'000 | £'000 | £'000 |
| Prescribing | (£1,783) | £0 | (£1,783) |  | (£1,854) | £0 | (£1,854) |
| Activity & Other | (£7,655) | (£2,348) | (£10,003) |  | (£8,848) | £1,117 | (£7,732) |
| Total | (£9,438) | (£2,348) | (£11,786) |  | (£10,702) | £1,117 | (£9,585) |

4.15 Appendix 5 shows an analysis of the activity deflections by ‘Point of Delivery’ i.e. Elective, Non Elective, A&E etc and reflects the expected full year impact of deflections from our ongoing reform programmes. This approach is consistent with that taken in 13/14 and so our plans assume the full year benefits of schemes introduced mid-year in 13/14.

**5 Financial Risks & Mitigating factors**

5.1 The high level evaluation of financial risk inherent in our plans is set out in table 7 below:-

|  |  |  |
| --- | --- | --- |
| **Table 7 : Financial Risk Exposure 14/15** | |  |
|  | Risk Value | **H/M/L** |
|  | £m |  |
| Demand Growth not contained | £4.0 | M |
| QiPP plans fail to deliver | £3.0 | M |
| GP IM&T | £1.0 | H |
| Contract Negotiations | £2.0 | M |
| Prescribing pressures | £1.5 | H |
| CHC Legacy | £1.3 | H |
| **Total Risk Exposure** | **£12.8** |  |

5.2 Table 8 below sets out the mitigating factors inherent within the plan.

|  |  |
| --- | --- |
| **Table 8 : Mitigating Factors 14/15** | |
|  | Values |
|  | £m |
| Contingency | 1.0 |
| Slippage in investments | 2.0 |
| Section 75 flexibility | 1.5 |
|  |  |
| **Total Risk Exposure** | **4.5** |

The contingency figure of £1m above assumes that c£1.3m is applied to in-year pressures during 14/15.

**Recommendations**

The Governing Body is asked to:-

1. **Consider** the content of the report and **the scope of investments** as agreed in discussions under paras 4.7 & 4.10.
2. **approve** the Opening Financial Plan for 2014/15 & 2015/16 subject to 1) above as the basis for setting the opening budgets 14/15.
3. **Support** the QiPP programme required over the 2 years.
4. **Note** the financial risks inherent within the plan

**Gary Jones**

**Chief Finance Officer**

**27 March 2014**

|  |  |  |  |
| --- | --- | --- | --- |
| **Documentation** |  | **Statutory and Local Policy Requirement** |  |
| Cover sheet completed | Y | Change in Financial Spend: Finance Section below completed | Y |
| Page numbers | N | Service Changes: Public Consultation Completed and Reported in Document | n/a |
| Paragraph numbers in place | Y | Service Changes: Approved Equality Impact Assessment Included as Appendix | n/a |
| 2 Page Executive summary in place (Docs 6 pages or more in length) | n/a | Patient Level Data Impacted: Privacy Impact Assessment included as Appendix | n/a |
| All text single space Arial 12. Headings Arial Bold 12 or above, no underlining | Y | Change in Service Supplier: Procurement & Tendering Rationale approved and Included | n/a |
|  |  | Any form of change: Risk Assessment Completed and included | n/a |
|  |  | Any impact on staff: Consultation and EIA undertaken and demonstrable in document | n/a |