

Health and Wellbeing Board

5th December 2016

Walsall Clinical Commissioning Group (CCG) – Financial Recovery Plan

1. Purpose

A Key component of the Directions applied to Walsall CCG is the requirement to produce a financial recovery plan demonstrating how the CCG will meet the required key financial metrics during the period 2016/17 to 2018/19.

The draft financial recovery plan outlines the scale of the financial challenges facing Walsall CCG and identifies the scale of the required Quality, Innovation, Productivity and Prevention (QIPP) programme to enable the CCG to return to recurrent surplus.

The QIPP programme will be required to deliver an estimated £19m in 2017/18 and £12m in 2018/19. The CCG is planning to identify potential QIPP schemes in excess of these planned levels to provide mitigation against potential slippage in delivery and enable the creation of reserves to manage unidentified risks.

2. Recommendations

2.1 To assure the Board that Walsall CCG are complying with our Directions.

Tony Gallagher
Chief Finance Officer
Walsall CCG

Draft Financial Recovery Plan – 2016/17 to
2018/19

Tony Gallagher

Chief Finance Officer

1.1 Executive Summary

- Walsall CCG commenced the 2016/17 financial year with unmitigated risks of £6.1m which presented significant risk to the achievement of both the planned cumulative surplus of £3.8m and the in-year deficit of £1.2m.
- Delivery of the financial plan required savings of £22.8m (5.4%) to be developed. At the time of submission £8.8m of the savings requirement was unidentified and the achievement of the QIPP savings target constituted the main financial risk to the CCG.

Risks	Full Risks £m	Probability	Potential Risk Value £m	Commentary
Acute SLAs	2.0	70%	1.4	Potential over-performance
QIPP Under-Delivery	8.8	85%	6.7	
Prescribing	1.0	50%	0.5	Policy change re Category M Pricing
Total Risks	11.8		8.6	
Mitigations	Full Mitigation Value £m	Probability	Expected Mitigation Value £m	Commentary
Contingency Held	2.1	100%	2.1	0.5% Contingency
External Funding	0.3	100%	0.3	Risk Share Agreement and Quality Premium
Total Mitigation	2.4		2.4	
Net Risk / Headroom	9.4		6.1	

1.2 Executive Summary

- At month 4 the previously identified risks had crystallised which meant the CCG was unlikely to meet its financial target without further mitigation.
- In addition cost pressures of approximately £7.7m are forecast increasing the scale of the challenge to £13.8m
- The CCG is required to produce a Financial Recovery Plan (FRP) in line with the directions from NHSE.
- A range of actions have been identified to contribute to the reduction of the savings gap as shown in the table .

2016/17 Plan	£m
Unmitigated Risk at commencement of Financial Year	6.1
Forecast Cost Pressures	7.7
Total	13.8
Closing the Gap	
Application of contingency reserves	2.1
Identified additional QIPP schemes	3.8
Potential additional QIPP schemes	1.0
Non Recurrent Measures	1.4
Risk Share arrangements	
STP 1% non-recurrent pooling arrangements	4.1
CCG Risk share arrangements	1.4
Total	13.8
Residual Risk	0.0

1.3 Executive Summary

The CCG has strengthened its governance processes and increased its capacity to support QIPP delivery, including the appointment of a Chief Operating Officer, establishment of a Financial Recovery Group, reconstitution of the Finance & Performance Committee and commissioning of external support/scrutiny.

The actions identified and implemented have reduced the net risk to nil (based on draft month 5)

The recovery plan has focussed on 2016/17, however the impact of delivery actions will impact positively in future years and are reflected in the medium term financial plan 2016/17 – 2018/19.

The FRP describes how the CCG will return to achieving all business rules in 2017/18 and 2018/19 as shown below:

	16/17 £m	17/18 £m	18/19 £m
Allocation	420.3	424.9	431.7
Year on Year Increase %	2.0%	1.1%	1.6%
Actual / Planned Cumulative Surplus / (Deficit)	3.8	3.9	3.9
In Year Surplus / (Deficit)	(1.2)	0.0	0.1
% Cumulative Surplus / Allocation	1.0%	1.0%	1.0%
Underlying Surplus / (Deficit) Position	(4.7)	6.3	7.4
% Underlying Surplus	(1.1%)	1.5%	1.7%
Planned Level Of QIPP	22.8	19.1	12.00
% QIPP	5.4%	4.5%	2.8%

2.1 Financial Context

Background and Operating Environment

- 2015-16 Position
 - Walsall CCG achieved a cumulative surplus of £5m in 2015/16 but in so doing committed reserves recurrently and adopted the risk share agreement with Dudley CCG (£1m) to support the position.
 - The key programme areas for which there was a recurrent overspend are summarised below.

2016/17 Recurrent impact of Cost Pressures	£m
GP Prescribing	1.8
Other Primary Care	0.5
Acute Over-performance	6.6
Mental Health (Incl. LD)	0.6
Non Acute (IFR & AQP)	0.1
Community	0.1
Sub Total Cost Pressures	9.7

- The table below outlines the movement in the financial position from 2015/16 outturn and shows the high level impact of the medium term recovery plan.

	2015/16 Outturn £m	2016/17 £m	2017/18 £m	2018/19 £m
Allocation Growth	1.9%	2.0%	1.1%	1.6%
In-year position	(0.5)	(1.2)	0.1	0.0
Underlying position	(8.0)	(4.7)	6.3	7.5
Metric Rating				

2.2 Financial Context

2016-17 Plan

- The CCG received the minimum allocation uplift of 1.99% as a consequence of the adoption of the pace of change formula to move CCGs to the target allocation. The CCG remains at 6.34% above target and will consequently receive reduced allocation growth over the life of the financial recovery plan. The funding increase in 2016-17 was £7.3m
- The level of available discretionary growth funding was further reduced as a consequence of the requirement to meet recurrent national commitments in relation to Primary Care IT, the funding of the Enhanced Tariff Option and CAMHS Transformation plans services, totalling £2.5m.
- There was a national requirement to ensure that the 1% non recurrent reserve of £4.1m remained uncommitted.
- In order to meet the business rules the QIPP target for the year is £22.8m equivalent to 5.4% of the allocation as shown in Appendix 1 – Source & Application of Funds 2016/17. At the time of submission, QIPP schemes of £14m had been identified.
- For 2016-17 a planned in-year deficit of £1.2m was set although the plan included unmitigated financial risks of £6.1m.
- Plan accepted by NHSE but noted as “of concern.” All business rules adhered to however the use of draw down and the level of unmitigated risk indicated a deteriorating position.
- The 2016/17 contract negotiation with Walsall Hospitals Trust was escalated to mediation with input from NHSE and NHSI which resulted in an additional cost of £3m although this was in part mitigated by the agreement to adopt a cap and collar arrangement which included a risk share agreement of +/-£3m.
- Activity was funded in accordance with national and local growth assumptions as per NHSE direction.
- The Financial Recovery Plan identifies additional QIPP schemes to close the savings gap.
- Walsall CCG is a financially challenged health and social care economy, with the following in-year financial challenges faced by partner organisations:
 - **Walsall Hospitals £22m**
 - **Walsall Council £25m**
 - **Dudley & Walsall Mental Health Trust £2m**

3.1 2016/17 – In-Year Financial Performance

A detailed analysis of the position reported at month 4 is shown in the table below.

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	FOT £m	FOT Variance £m
CCG Running Costs	5.7	1.9	1.8	0.0	5.4	(0.2)
Mental Health	44.8	14.2	15.1	0.9	47.0	2.2
Acute Contracts	201.1	67.4	68.4	1.0	204.4	3.2
Primary Care Commissioning	11.2	3.9	3.7	(0.1)	10.6	(0.5)
Prescribing	50.2	16.6	17.3	0.6	51.9	1.7
Delegated Primary Care	36.9	12.3	12.0	(0.2)	36.0	(0.9)
Non Acute Contracts	20.4	6.9	7.3	0.4	22.2	1.8
Community Contracts	30.3	10.1	10.0	0.0	30.2	(0.1)
Specific Programmes	13.7	4.6	4.6	0.0	14.1	0.5
Health Infrastructure	2.0	(0.5)	(0.8)	(0.3)	(5.3)	(7.8)
Planned Cumulative Surplus	3.8	(1.3)		1.3		(3.8)
Total	420.3	136.3	139.8	3.5	416.4	(3.8)

£7.7m

- Mental Health is forecast to overspend by £2.2m of which £1.6m relates to potential QIPP slippage for which further schemes have been developed.
- Acute Contracts are forecast to over-perform by £3.2m of which £1.0m relates to independent sector activity.
- Primary care commissioning reports a net forecast underspend of £0.5m.
- £1.7m overspend in prescribing arising from QIPP slippage with a further £0.7m additional risk for which additional schemes have been developed.
- There is a non-recurrent underspend of £0.9m within the delegated primary care allocations.
- The forecast overspend on non acute contracts of £1.8m includes continuing care growth of £1.3m and £0.6m attributable to the recently notified FNC increase of 40%.
- At this stage to ensure the forecast outturn meets the plan risk share funding of £5.5m has been assumed.

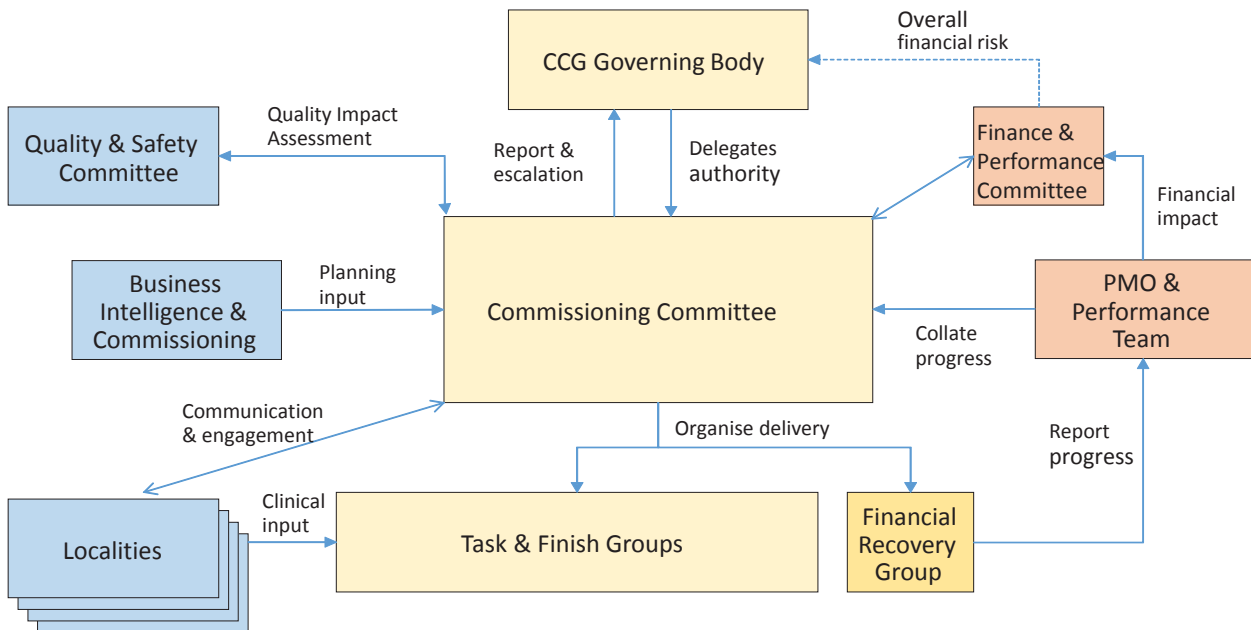
4.1 Financial Recovery – Recognising the scale of the challenge

The initial QIPP challenge of £22.8m is unprecedented for the CCG. This has been further compounded by in-year cost pressures of £7.7m, contributing to a total risk of £13.8m, which has required a systematic assessment of Governance and processes to meet the challenge as shown below.

Governance and accountability has been strengthened to meet short and long term priorities.

This includes:

- Establishment of financial recovery group
- Enhanced clinical ownership
- Task and finish groups established
- Reconstitution of Finance & Performance Committee
- More robust processes in project management, delivery and evaluation
- New financial governance regime to be implemented



4.2 Financial Recovery – How are we meeting this challenge?

Based on draft month 5, the net unmitigated risk has been reduced to nil, as shown below:

2016/17 Plan	£m
Unmitigated Risk at commencement of Financial Year	6.1
Forecast Cost Pressures	7.7
Total	13.8
Closing the Gap	
Application of contingency reserves	2.1
Identified additional QIPP schemes	3.8
Potential additional QIPP schemes	1.0
Non Recurrent Measures	1.4
Risk Share arrangements	
STP 1% non-recurrent pooling arrangements	4.1
CCG Risk share arrangements	1.4
Total	13.8
Residual Risk	0.0

Variance from plan £13.8m – unmitigated risk of £6.1m at startpoint and £7.7m forecast cost pressures incurred in-year

Actions taken:

- QIPP – additional £3.8m identified and £1.0m scoped awaiting provider confirmation
- Non recurrent measures - £1.4m consisting of projected non achievement of CQUIN targets and working balances flexibility
- Utilisation of Black Country STP Risk pool - £5.5m comprising 1% non-recurrent pooling arrangements of £4.1m and CCG risk share arrangements of £1.4m
- Review of all discretionary spend in progress (including benchmarking diagnostic)
- Additional mitigations identified and commenced implementation

4.3 Financial Recovery – How are we meeting this challenge?

	Annual Budget £m	Risk / Cost Pressure £m	Description	QIPP £m	Additional QIPP £m	Non Recurrent Mitigations £m	Risk Share/contingency £m	Owner	Timescale
CCG Running Costs	5.7	(0.2)	Vacancy freeze / expenditure controls						
Mental Health	44.8	2.2	QIPP £1.6m, Learning Difficulties Over-performance £0.5m	(2.1)				Director of Commissioning	Sept 16
Acute Contracts	201.1	3.3	RWHT £1.7m over-performance on Outpatients, A&E and High Cost Drugs, £1.5m Independent Sector over-performance	(0.6)		(0.6)		Director of Commissioning	Sept 16
Primary Care Commissioning	11.2	(0.5)							
Prescribing	50.2	1.7	£1m QIPP and £0.7m overspend	(0.7)				Director of Primary Care	Sept 16
Delegated Primary Care	36.9	(0.9)	Non Recurrent underspend						
Non Acute Contracts	20.4	1.8	£1.3m Continuing Healthcare, £0.7m Funded Nursing Care	(0.4)				Director of Commissioning	Sept 16
Community Contracts	30.3	(0.1)							
Specific Programmes	13.7	0.5	NHS Premises						
Health Infrastructure	2.0	5.9	QIPP Slippage						
			0.5% Contingency				(2.1)	Chief Finance Officer	Sept 16
			1% non recurrent reserve				(4.1)	Chief Finance Officer	Sept 16
			CCG Risk Share				(1.4)	Chief Finance Officer	Sept 16
			Additional QIPP		(1.0)			Director of Commissioning	Sept 16
			Balance sheet Flexibility			(0.8)		Chief Finance Officer	Sept 16
Planned Cumulative Surplus	3.8								
Total	420.3	13.8		(3.8)	(1.0)	(1.4)	(7.6)		

4.4 – QIPP - Development of Schemes – Methodology

In developing the QIPP plan the CCG has utilised a number of benchmarking tools which include:

- Commissioning for Value
- West Midlands Health Economics
- Spend and Outcome Tool
- The CCG has established a Finance Recovery Group to review all areas of expenditure to ensure value for money. This includes a confirm and challenge process to;
 - Confirm the robustness of QIPP schemes
 - Identify opportunities for acceleration in 2016/17
 - Identify new QIPP opportunities
 - Review all discretionary expenditure
 - Review working balance flexibility
- QIPP schemes are in various stages of development for 17/18. They are RAG rated according to the maturity of the development / implementation as at the end of August 2016.
- The CCG has revised its decommissioning / disinvestment policy which incorporates the requirement to undertake an Equality Impact Assessment with direct Clinical oversight.
- All schemes are planned to release recurrent savings.

Additional detailed QIPP plans have been fully developed as set out in the table below.

Identified Additional QIPP Schemes	Schemes	£m	Owner	RAG
Acute Contracts - Independent Sector	Contract Management - RTT Waiting Times management to constitutional Standard level	0.6	Chief Finance Officer	
Mental Health	S117 Placement Costs - Implementation of refreshed assessment process	0.4	Director of Commissioning	
Learning Disabilities	Reduction in CCG contribution to Pooled Budget	1.7	Director of Commissioning	
Prescribing	Implementation of Do Not Prescribe List	0.7	Director of Primary Care	
Continuing care	Assessment of Recurrent cost of placements	0.4	Director of Commissioning	
Total Identified Schemes		3.8		

5.1 Development of the Financial Recovery Plan

Source and Application of Funds Statement

	17/18 £m	18/19 £m
Source of Funds		
16/17 Allocation Uplift	4.6	6.8
Running Cost Growth	(0.0)	(0.0)
Total Growth Available	4.6	6.8
Application of Funds		
Inflation (as per Business Rules)	8.4	8.4
Efficiencies	(8.4)	(8.4)
Sub-Total Tariff or equivalent impact	0.0	0.0
Recurrent Impact of Cost Pressures		
GP Prescribing	1.6	
Other Primary Care		
Acute Over-performance	1.4	
Mental Health (Inc. LD)	2.1	
Continuing Care	2.1	
Reserves – Growth / Reinstatement	3.5	1.1
Non Acute (IFR and AQP)		
Community		
Sub-Total Cost Pressures	10.7	1.1
Assumed Growth in Demand		
Acute	4.8	4.8
Mental Health	1.6	1.6
Community	0.9	0.9
Primary Care Inc. Prescribing	2.2	2.3
Non Acute	1.7	1.8
Delegated Primary Care	1.5	1.5
Other	0.3	0.3
Sub-Total Growth	13.0	13.2
Investments		3.3
Non-Recurrent Funding		1.0
In Year QIPP achievement required	(19.1)	(12.0)
Draw down Prior Year's Cumulative Surplus		
Movement in In-Year surplus req.	0.0	0.3
Additional Funding Req. to Standstill	4.6	6.8
Total	0.0	0.0

- The table identifies the key changes in the financial plan over the planning period.
- 2017/18 includes the recurrent impact of cost pressures that have arisen in 16/17.
- The QIPP requirement for 2017/18 is £19.1m and has been forecast at £12m per annum from 18/19 onwards which represents 2.8% of allocation.
- Investments are forecast to be affordable from 18/19 onwards and enable the CCG to generate reserves to either mitigate future risks or fund additional investments.

QIPP percentage of allocation	4.4%	2.8%
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