

27 OCTOBER, 2016

Walsall CCG – Financial Recovery Programme

Ward(s) All

Executive Summary:

A key component of the Directions applied to Walsall CCG is the requirement to produce a financial recovery plan which demonstrates how the CCG will return to recurrent surplus during the period 2016/17 to 2018/19.

A Draft Financial Recovery Plan has been submitted to NHS England for assurance. The Plan outlines the scale of the financial challenge facing the CCG and the requirement to identify a Quality, Innovation, Productivity and Prevention programme (QIPP) to deliver recurrent savings of £21m in 2017/18 and £14m in 2018/19 to enable the CCG to return to recurrent surplus.

Financial Context

The CCG commenced the financial year with a forecast in-year deficit of £6.1m. The CCG received the minimum allocation uplift of 1.99% as a consequence of the adoption of the pace of change formula to move CCG's to the target allocation. The funding increase in 2016/17 was £7.3m but this level of discretionary funding was reduced by £2.5m to meet the current national commitment in relation to Primary Care IT, the funding of a revised tariff option in secondary care and CAMHS transformation plans. In addition there was a national requirement to ensure that 1% of available resources totalling £4.1m remained uncommitted.

In order to meet the significant financial challenge, the QIPP target for 2016/17 was £22.8m equivalent to 5.4% of the CCG allocation. At the time of submission of the Financial Recovery Plan £17m of the required savings had been identified leaving a sum of approximately £6m to be determined for which the CCG is seeking additional support from partner organisations within the STP planning footprint. Such support is predicated upon the production of a credible financial plan to return to operating balance in 2017/18 and 2018/19.

Development of the Financial Recovery Plan 2017/18 and 2018/19

A medium term financial plan has been developed to enable the CCG to comply with the business rules from 2017/18. This is based on the planning assumptions adopted by the Birmingham and Black Country STP shown in the table below.

Assumptions used in scenario modelling	2017/18 Assumptions	2018/19 Assumptions
Secondary Care Activity		
Acute	2.3%	2.5%
Mental Health	1.9%	1.9%
Community Health Services	3.4%	3.4%
Other NHS	1.5%	1.5%
Other Activity & Inflation		
Tariff Inflator	2.1%	2.1%
Tariff Efficiency Factor	(2.0%)	(2.0%)
Net Tariff Uplift	0.1%	0.1%
Continuing Care Assumptions	8.0%	8.0%
Prescribing Assumptions	5.4%	4.4%
Other Primary Care Assumptions	4.9%	5.3%
Admin Assumptions	1.8%	2.1%
CCG Other Assumptions	1.5%	1.5%
Social Care Expenditure Assumptions	2.3%	2.3%
Primary Medical Care (Mandate) Assumptions	4.2%	1.9%

The adoption of these planning assumptions are reflected in the source and application funds statement shown below.

	2017/18 £m	2018/19 £m
Source of Funds		
16/17 Allocation Uplift	4.2	6.8
Running Cost Growth	(0.0)	(0.0)
Total Growth Available	4.2	6.8
Application of Funds		
Inflation (as per Business Rules)	8.8	8.7
Efficiencies	(8.4)	(8.3)
Sub-Total Tariff or equivalent impact	0.4	0.4
Recurrent Impact of Cost Pressures		
GP Prescribing	(0.1)	
Other Primary Care	(1.5)	
Acute Over-performance	4.0	
Mental Health (Inc. LD)	0.2	
Continuing Care	2.0	
Reserves – Growth / Reinstatement	5.0	
Non Acute (IFR and AQP)		
Community		
Sub-Total Cost Pressures	9.6	
Assumed Growth in Demand		
Acute	4.7	5.0
Mental Health	1.3	1.3
Community	1.0	1.0
Primary Care Inc. Prescribing	3.2	2.7
Non Acute	1.7	1.7
Delegated Primary Care	1.5	0.7
Other	0.4	0.6
Sub-Total Growth	13.8	13.0
Investments	1.2	6.0
Non-Recurrent Funding		1.0
In Year QIPP achievement required	(20.9)	(13.9)
Draw down Prior Year's Cumulative Surplus		
Movement in In-Year surplus req.	0.0	0.3
Additional Funding Req. to Standstill	4.2	6.8
Total	0.0	0.0

QIPP percentage of allocation

4.9%

3.1%

The CCG will receive additional funding of £4.2m in 2017/18 and £6.8m in 2018/19.

The impact of the adoption of the planning assumptions and the funding of recurrent costs arising in 2016/17 demonstrate that the CCG will face additional costs in 2017/18 and 2018/19 as shown below.

	2017/18 £m	2018/19 £m
Recurrent Costs	10.9	
Demand Pressures and mandated investments	14.3	20.8
Total Expenditure Increase	25.2	20.8
Funding Increase	(4.2)	(6.8)
QIPP Challenge	21	14

The consequent QIPP challenge facing the CCG is £21m in 2017/18 and £14m in 2018/19.

Identification of QIPP opportunities

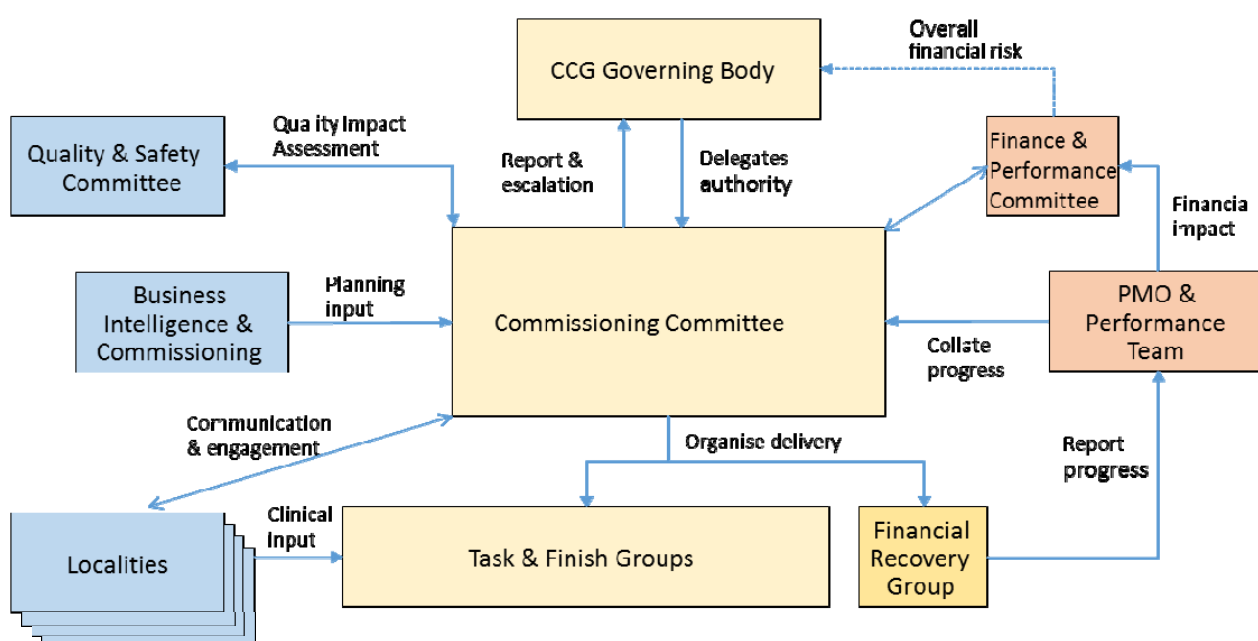
In order to meet the QIPP challenge the CCG has undertaken a systematic assessment of its governance and processes and strengthened accountability to enable medium and long term priorities to be met.

The revised governance and accountability framework is shown below.

Governance and accountability has been strengthened.

This includes:

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



In order to develop the QIPP plan the CCG has utilised a number of benchmarking tools which include:

- Commissioning for value
- West Midlands Health Economies
- Spend and Outcome Tool

In addition the CCG has revised its decommissioning/disinvestment policy to incorporate the requirement to undertake a Quality Impact assessment with direct clinical oversight.

The CCG is planning to identify QIPP opportunities in excess of the minimum levels required to maintain financial balance in order to provide mitigation against delays in implementation.

The draft QIPP plan for 2017/18 and 2018/19 is shown in Appendix 1.

The CCG has incorporated these assumptions in its Commissioning Intentions and as such will form the basis of contract negotiations with providers. The timetable for the agreement of contracts for the periods 2017/18 to 2018/19 is 23 December 2016.


The CCG and Local Authority are facing significant financial challenges and there is a recognition that any disinvestment decisions should be the subject of an impact assessment process which will require input from both organisations.

Reason for scrutiny:

To advise panel of the Draft Walsall CCG Financial Recovery Plan as submitted to the CCG's Governing Body.

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Draft QIPP Plan 2017/18 and 2018/19

Programme	Contract	Total 2017/18 £m	Total 2018/19 £m
Acute Contracts	Ambulance Services	0.5	0.4
	Other Acute Providers	3.0	2.2
	Urgent Care	0.5	0.0
	Walsall Healthcare Acute	7.5	5.0
Acute Contracts Total		11.5	7.6
Community Contracts	Community Contracts	1.7	1.1
Community Contracts Total		1.7	1.1
Health Infrastructure	Premises cost reimbursements	0.4	0.4
Mental Health	Learning Difficulties	0.6	0.4
	Mental Health - Other	0.5	0.4
	Mental Health Contracts - Walsall	1.7	1.0
Mental Health Total		2.8	1.8
Non Acute Contracts	Intermediate Care	1.3	0.8
Non Acute Contracts Total		1.3	0.8
Primary Care Commissioning	Primary Care - Other	0.6	0.4
	Prescribing	2.9	1.9
Primary Care Commissioning Total		3.5	2.3
Specific Programmes	Palliative Care	0.1	0.1
	Reablement	2.2	0.4
Specific Programmes Total		2.3	0.5
New Schemes	New QIPP schemes in development	1.5	2.0
Grand Total		25.0	16.5