Oxfordshire
Clinical Commissioning Group

Oxfordshire Clinical Commissioning Group
Board Meeting

Date of Meeting: 25 August 2016	**Paper No: 16/59**

Title of Presentation: Update on the CCG Financial Plan and Financial Recovery Actions

Is this paper for (delete as appropriate)	**Discussion**	✓	**Decision**	✓	**Information**	

Purpose and Executive Summary (if paper longer than 3 pages):

At the Board meeting held on 28 July 2016 the Board accepted the following recommendations from the Chief Executive: to put an immediate moratorium on any uncommitted spend; to review all budget lines to see where we can reduce expenditure this year; and to hold an Extraordinary Board Meeting at the end of August to agree further actions.

This paper updates the Board on the work we have undertaken since then and proposes a number of actions for approval. This includes the approval of an in-year financial recovery plan.

Financial Implications of Paper:

The following actions to mitigate the risk to the CCG's 2016/17 Financial Plan:

- The commitment of the CCG's Contingency and Transformation Reserves
- The delivery of a savings plan with individual schemes and actions

Individual savings actions will undergo further impact assessment to determine any subsequent financial implications beyond the objective of short term financial recovery.

Action Required:

The Board is asked to approve:

- The proposal to commit the transformation reserve and contingency reserve totalling £9.2m.
- The adoption and implementation of the plan, including the reduction of the relevant budget lines.
- The establishment of a Savings Taskforce to produce proposals for reducing

our expenditure and reporting back to the board in November. The Board are asked to note and endorse the direction of travel on developing contracts that enable and support service integration.

NHS Outcomes Framework Domains Supported (please delete tick as appropriate)	
✓	Preventing People from Dying Prematurely
✓	Enhancing Quality of Life for People with Long Term Conditions
✓	Helping People to Recover from Episodes of Ill Health or Following Injury
✓	Ensuring that People have a Positive Experience of Care
✓	Treating and Caring for People in a Safe Environment and Protecting them from Avoidable harm

Equality Analysis completed (please delete tick and attach as appropriate)	Yes	No	Not applicable ✓
Outcome of Equality Analysis			

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Update on the CCG Financial Plan and Financial Recovery Actions

Introduction

At the Board meeting held on 28 July 2016 the Board accepted the following recommendations from the Chief Executive: to put an immediate moratorium on any uncommitted spend; to review all budget lines to see where we can reduce expenditure this year; and to hold an Extraordinary Board Meeting at the end of August to agree the action we will take.

This paper updates the Board on the work we have undertaken since then and proposes a number of actions for approval.

Background

Compared with other CCGs, Oxfordshire CCG received one of the highest increases in its revenue resource allocation this year. In cash terms the increase totalled £49.0m, equivalent to a 7.5% increase on 2015/16.

However, when drafting the financial plan for 2016/17, allowing for anticipated cost pressures and investment demands, it became clear that this funding was insufficient to keep pace with the increased costs of the services the CCG is commissioning. This is because both the level of services (demand) and the cost of services (price) are rising at a faster rate than our increase in funding and, as a system Oxfordshire is unable to deliver a high enough level of efficiency savings to compensate. Our system-wide Transformation Programme is about how we can redesign service delivery to ensure we are financially sustainable long term, as well as meeting our care, quality and inequality gaps. However, this programme will not produce any savings in this financial year.

Board members will know that we had been exploring with Oxford University Hospitals NHS Foundation Trust (OUHFT) and Oxford Health NHS Foundation Trust (OHFT) a different form of contract for 2016/17 and encouraging the two trusts to agree a joint proposal for managing the frail elderly pathway. After many weeks of discussion it has not been possible to reach an agreement with the trusts and therefore we had no option but to put in place single contracts. These contracts have now been settled and an additional £8.0m above our budgeted sum has been required to agree a block contract with OUHFT. Without a block contract the CCG would be exposed to an even greater level of financial risk from increased activity at the full tariff price. The forecast outturn for the contract is in excess of the value of the contract we have agreed which reflects a risk share settlement between the parties. Whilst putting more funding into OUHFT may seem a retrograde step in the context of our strategy to fund more services in the primary and community care settings, the current reality is that acute activity levels continue to rise and have to be paid for.

As well as the increases in contract values, the other significant expenditure change has been the announcement by the Department of Health of a 40% increase in the weekly rate of Funded Nursing Care (FNC). This is the funding provided by the NHS to care homes providing nursing, to support the provision of nursing care by a registered nurse for those assessed as eligible. The rate paid by the NHS to nursing homes for eligible patients will rise with effect from 1 April 2016 to £156.25 per week from the current standard rate of £112 per week. NHS England have recognised that this will be a cost pressure to most CCGs and one that it was not possible to reflect in plans at the beginning of the year, however, CCGs are being asked to mitigate and manage this pressure moving forward. The current assessed impact of this cost pressure on OCCG is £5.0m (our expenditure on FNC is expected to rise from a budgeted £11.9m to a forecast £17.0m).

Prior to concluding contracts and the announcement of the FNC rate increase we had also agreed with NHSE to increase our surplus from 1% to 1.5%. At the time we did this we took the view that this was manageable and would be beneficial in smoothing our funding across this year and next,

especially as our funding growth for next year will be at the minimum level for CCGs, £14.0m (2%). Increasing our surplus (while we had the headroom to do it) would mean that the additional surplus (£4.0m) would be returned to us non-recurrently next year increasing our available resources to £18m (a 29% increase).

The impact of the adverse changes to the CCG financial plan are summarised in the following table:

Pressure	£'000
0.5% Increased Surplus Target	-4,000
FNC Rate Increase	-5,000
Contract Agreements	-8,000
	-17,000

Why do we need to take action now?

The NHS has a strict set of business rules which we have to adhere to and which are not negotiable. The Board has a statutory duty to adhere to the business rules. In July 2016 the NHS published updated guidance for providers and CCGs, 'Strengthening Financial Performance and Accountability in 2016/17'. This states, as one of a seven-point set of actions is being taken to support the NHS to achieve financial sustainability and improve operational performance, 'We have… agreed 'financial control totals with individual trusts and CCGs, which represent the minimum level of financial performance, against which their boards, governing bodies and chief executives must deliver in 2016/17, and for which they will be held directly accountable.'

This guidance has reiterated the position that the 1% non-recurrent allocation that we have been instructed to hold cannot be used. Use of this money requires HM Treasury approval.

In addition, we know that if we do not take action now, our position is likely to worsen further which would lead to more drastic action needing to be taken. We also need to do what we can to reduce the financial pressures we will have in 2017/18.

Action taken since the July board meeting

In reaching agreement on contracts at the end of July we had to evaluate the scope for settlement within our overall financial plan, taking into account the other identified pressures. Agreement was reached on the basis that the following headroom (reserves and other known areas of uncommitted budget) were available to mitigate the impact of the pressures:

Pressure	£'000
0.5% Increased Surplus Target	-4,000
FNC Rate Increase	-5,000
Contract Agreements	-8,000
	-17,000
Less:	
Contingency Reserve	4,245
Transformation Reserve	5,000
Unutilised Winter Plan/DToC Investment	1,490
Initial Budget Review	1,265
	12,000
Gap = Minimum Savings Requirement	**-5,000**

Applying these mitigation measures leaves a minimum financial recovery savings plan value of £5.0m to be identified through the actions agreed at the July Board meeting. The Board should note the following as an outcome of the above:

- The full application of the available Contingency and Transformation Reserves at this point leaves the CCG without any headroom to manage other risks as they materialize through the year. This is why £5.0m should be viewed as the absolute minimum requirement for additional in-year savings and we should plan for savings in excess of this.
- The Transformation Reserve, which was a clear objective of the CCG to create and ring-fence to support the required medium term system transformation, has been given up recurrently i.e. will not exist for 2017/18, unless re-created from new resources (including savings).
- The initial review has committed funds that were held to support winter resilience. This means that winter demand and its operational issues will need to be managed as a system within the contract settlements we have reached.

Subsequent to the above and as agreed at the July Board meeting:

- We have placed an immediate moratorium on any uncommitted expenditure.
- We have carried out a line by line review of our reserves and budgets, to identify where there might be financial flexibility this year.
- We have identified a number of areas where savings can be made this year in the services we commission.

The outcome of these actions is presented to the Board below as a savings plan to be approved and implemented.

2016/17 Financial Recovery Plan

For presentation to the Board the plan has been split into 3 elements reflecting an initial assessment of deliverability of the individual schemes. As well as risk around delivery the presentation attempts to take into account recurrent verse non-recurrent savings and the impact on the starting position for 2017/18.

The table below summaries those schemes that have initially been assessed as having low risk of delivery:

LOW RISK DELIVERY	2016/17 Recurrent £'000	2016/17 Non-Recurrent £'000	2016/17 Total £'000	2017/18 Total £'000
Local NHS Acute Services				
	0	0	0	0
Non NHS Acute Services				
Activity Charging Controls	580	0	580	580
Other Acute Services				
Uncommitted budget lines	349	0	349	349
Slippage in EoL service development	0	130	130	0
999 Ambulance Services				
	0	0	0	0
Community Services				
Falls Service Budget Correction	272	0	272	272
Pooled Budget Contributions				
Reablement Procurement	101	0	101	353
Unutilised CHC Provision	0	200	200	0
Slippage or uncommitted MH budgets	400	153	553	400
Unutilised Carers budget	250	250	500	250
Primary Care Services				
Slippage on investment budgets	0	1,927	1,927	0
Uncommited headroom in delegated budgets	0	534	534	0
Prescribing				
Community Pharmacy Rebate	0	300	300	0
IM&T				
Planned project slippage	0	250	250	0
TOTAL	**1,952**	**3,744**	**5,696**	**2,204**

The total value of the identified savings is £5.7m with £2.0m delivered on a recurrent basis (£2.2m full year effect) and £3.7m non-recurrently. Specifically for the Board to note:

- The plan to reduce expenditure in Non-NHS Acute Services requires the ongoing application of activity charging controls through the year. It also assumes that activity growth will be contained within the contract values.
- There is a CCG approved business case for the implementation of a new End-of-Life (EoL) care service. This plan requires this development to be deferred to 2017/18.
- Carers services are the subject of a joint consultation exercise with OCC. Savings in this plan reflect the availability of current underspends against budget; however, an assumption is made that some savings will be made recurrently. Provision has been made for re-investment of some of the unutilised budgets based on potential investment business case approval in the future.
- Slippage on primary care investment budgets total £1.9m. £0.7m of this is dependent upon the successful notification of receipt of GP Access Fund resources. This will release the CCG funding that has been used to bridge the relevant schemes in the interim. The balance of £1.2m represents slippage on the CCG's investment budget (£4.0m at plan stage) while plans have been developed for implementation. This would not fund the City Locality Elderly and Frail proposal which is a proposed new service development above the Locality envelope. If this is to progress this scheme would be a call on 2017/18 available resources.

While the plans above are valued at £5.7m and are therefore in excess of the minimum savings requirement of £5.0m it is recommended to the Board that additional savings are sought to mitigate

delivery risk, to create headroom for the CCG to manage additional in-year risks and to support the underlying position moving to 2017/18. Additional schemes identified as having medium level delivery risk are shown in the table below:

MEDIUM RISK DELIVERY	2016/17 Recurrent £'000	2016/17 Non-Recurrent £'000	2016/17 Total £'000	2017/18 £'000
Local NHS Acute Services				
Service Redesign impact	0	0	0	720
APA and controls	0	0	0	2,860
RightCare Opportunities	0	0	0	2,671
Non NHS Acute Services				
Activity Charging Controls	0	0	0	0
Other Acute Services				
Uncommitted budget lines	0	200	200	0
Slippage in EoL service development	0	162	162	0
999 Ambulance Services				
	0	0	0	0
Community Services				
Falls Service Budget Correction	0	0	0	0
CAMHS	0	120	120	0
Pooled Budget Contributions				
LD OATS Budget	750	0	750	750
New FNC Controls	100	0	100	500
Primary Care Services				
	0	0	0	0
Prescribing				
	0	0	0	0
IM&T				
	0	0	0	0
TOTAL	**850**	**482**	**1,332**	**7,501**

To note:

- As a result of agreeing a block contract for acute activity with the OUHFT there are no cash realising savings opportunities for 2016/17. However, the existing CCG savings plan has been reviewed for opportunities that would have an impact on the potential 2017/18 contract value. They are assessed as medium risk as further detailed work is required in their design and implementation.
- The additional EoL savings shown here require actions in existing contracts to release the savings which is why they are assessed as medium risk.
- For savings to be released from the Learning Disability Out of Area Treatments (LD OATs) pooled budget contribution requires further detailed discussion with OCC as pooled budget partner. This is to confirm the validity of the 'health' saving opportunity and the impact on the pool budget as a whole.
- New controls to mitigate the FNC spend require some further design and planning prior to implementation. Due to the scale of people numbers (c2,000 individuals are in receipt of FNC) the savings impact in 2016/17 is assessed as low.

A final set of savings proposals has initially been rated as high risk in terms of delivery, either as a result of the impact they will have or in terms of our ability to release the saving. They are shown in the table below:

HIGH RISK DELIVERY	2016/17 Recurrent £'000	2016/17 Non-Recurrent £'000	2016/17 Total £'000	2017/18 £'000
Local NHS Acute Services				
	0	0	0	0
Non NHS Acute Services				
Activity Charging Controls	0	1,113	1,113	0
Other Acute Services				
Uncommitted budget lines	0	162	162	0
Activity Charging Controls	500	0	500	500
999 Ambulance Services				
	0	0	0	0
Community Services				
	0	0	0	0
Pooled Budget Contributions				
Intermediate Care Costs	75	0	75	130
LD Health Contracts	100	0	100	100
Primary Care Services				
Slippage on investment budgets	0	1,063	1,063	0
Uncommited headroom in delegated budgets	0	200	200	0
Prescribing				
Over the Counter Medicines	105	0	105	425
Gluten Free Products	50	0	50	208
Infant Milk	115	0	115	560
SIP Feeds	350	0	350	1,400
IM&T				
Planned project slippage	0	150	150	0
TOTAL	**1,295**	**2,688**	**3,983**	**3,323**

To note here:

- The non-recurrent savings in Non-NHS Acute services require the successful challenge of activity charged for in the 2015/16 contract year. This may be subject to dispute.
- Further savings in the pooled budget contributions require more detailed negotiation with OCC as to their validity and impact.
- The additional £1.1m of savings identified as slippage in primary care investment budgets reflects the scenario of deferring all proposed locality schemes to 2017/18 (only the existing home visiting, care navigators and social prescribing schemes would continue).
- The schemes listed under prescribing all represent some initial ideas for area where expenditure might be reduced. All of these areas require further work up and evaluation and, if to be progressed, may be subject to some public consultation.

The summary total of all areas of the plan is shown in the table below:

SUMMARY PLAN	2016/17 Recurrent £'000	2016/17 Non-Recurrent £'000	2016/17 Total £'000	2017/18 £'000
Low Risk	1,952	3,744	5,696	2,204
Medium Risk	850	482	1,332	7,501
High Risk	1,295	2,688	3,983	3,323
Grand Total	4,097	6,914	11,011	13,028

The Board are asked to approve the adoption and implementation of the plan in full. Early evidence and confidence in the delivery of the 2016/17 low and medium risk plans will enable us to review the timescales and requirement for implementation of the high risk proposals. This would include the potential release of the funding for the primary care locality business cases.

If adopted this plan (and the work of the Savings Taskforce, see below) will supersede the existing CCG Savings Plan, elements of which have been adopted.

Moving into delivery the plan will have actions and milestones assigned to lead individuals in the CCG.

The CCG Programme Management Office will support the delivery of the plan and provide assurance through its reporting to the CCG. Monitoring of the delivery of the plan will be through CCG Executive, to Finance Committee to the CCG Board.

On adoption of the plan all relevant budget lines will be reduced with immediate effect and budget holders will be required to deliver within the existing budget or Forecast Outturn (FOT) control total as agreed with the finance team.

Savings Taskforce

There is also the need to identify how we can reduce our expenditure going into 2017/18 and therefore we need to set up a new Savings Taskforce to identify proposals for consideration by the Board as part of our Operational Planning process for 2017/18. The taskforce will be jointly led by Dr Julie Anderson, Locality Clinical Director and Gareth Kenworthy, Director of Finance and will report back to the Board at its November meeting with more detailed proposals. The Taskforce will have the freedom to examine all areas of spending.

Recommendations

The Board is asked to approve:

- The proposal to commit the transformation reserve and contingency reserve totalling £9.2m.
- The adoption and implementation of the plan, including the reduction of the relevant budget lines.
- The establishment of a Savings Taskforce to produce proposals for reducing our expenditure and reporting back to the Board in November.

In addition to the financial recovery planning actions above the Board are also asked to consider a response to the outcome of the 2016/17 negotiations with OUHFT and OHFT. At the start of this financial year considerable time and effort was spent in seeking collaborative agreement to better integrate services along key patient pathways. This agreement, if reached, would have been supported and enabled by new contract arrangements.

To avoid this situation arising again next year, we need to take an approach that, whilst still providing the opportunity for collaboration we are not dependent upon it for us to achieve our commissioning objectives. We know that integrated services deliver significant benefits for patients as well as delivering savings; there is a strong evidence base and direction from within the NHS 5 Year Forward View (FYFV).

Across their combined range of service provision the main areas for delivering service integration benefits are likely to be between the community services currently provided by OHFT and the aligned services in acute care in the OUHFT and in primary care.

As the two FTs have not been able to agree how these services should be managed, we believe that we now need to conduct a commissioning process to specify our requirements for integrated adult services and then invite proposals from bidders prepared to deliver those integrated services. This selection process would be a form of formal procurement exercise. The exact scope of services to be included in this procurement is still to be finalised. Consideration will be given to the range of services that should deliver benefits from integration and to the number of interfaces between services in different providers. We would expect bidders to demonstrate how they will deliver these services in partnership with those GP practices and GP Federations delivering primary care services.

As we are preparing to undertake a public consultation exercise on the new models of care within the Oxfordshire Transformation Programme we will not be in a position to be able to specify our service requirements for a re-procurement until the outcome of consultation is known and subsequent decisions are made. This means that it will not be possible to have final, new contracts in place to support integrated services from 1st April 2017/18. However, we will be seeking advice on what options there may be for us to implement interim arrangements that would, at least in part, support our commissioning objectives at the start of the next financial year.

The deadline in the annual contract cycle for the CCG to state our commissioning intentions for coming financial year is 30 September 2016. This would include any intention to give notice of termination on whole or part of any of our existing contracts that include affected services that do not expire on 31 March 2017. This means that we can bring a more detailed proposal, including timescales and process, back to the Board meeting in September for consideration and approval. Subject to Board approval we will formally write to both trusts giving them notice of our intention. In the interim the Board are asked to endorse this as a direction of travel.

Recommendation

The Board are asked to note and endorse the direction of travel on developing contracts that enable and support service integration.