Appendix 1: Approach to in-year financial recovery

Context

Month 2 activity reporting from the OUH shows a £2.3m bottom line cost of activity over performance. This requires committing 50% of the CCG's available contingency reserve to mitigate. The main driver of over performance is urgent care activity which in order of severity is; NEL inpatient admissions (£1.5m), ambulatory pathway services including same day and short stay NEL admissions (£0.4m) and A&E attendances (£0.2m).

With a continuing trend of overpeformance the CCG would exceed its available contingency reserves and other available resources at Month 8 and enter into a deficit position. The base case forecast outturn based on this position and without FRP actions is a £5.6m deficit.

The Mission

To implement an in-year Financial Recovery Plan (FRP) to mitigate the risk of a CCG deficit position.

A Financial Recovery Plan's objective is to implement short term actions to halt the overspending. This will be reviewed at two levels:

1. Overspending against the OUH contract activity plan. This will be the Activity Management Plan (AMP) work stream.
2. Overspending against the CCG's overall allocation. This will include budget reviews, slippage or cancelling of discretionary spend and additional savings plans.

The target value of the FRP is £6.0m

FRP Process

The following three work-streams will be set up as part of the FRP:

A. The OUH Activity Management Plan **Lead: Head of Contracts and Procurement**
   - Objectives:
     i. to undertake a diagnostic exercise to understand the causes of reported over performance against the contract IAP
     ii. to prepare a forecast outturn for the OUH contract based on Month 2 activity and using assumptions for the impact of the Winter Plan and RTT management plan
     iii. to reach an aligned position with the OUH on the outcome of this
     iv. to use all available levers to mitigate the reported over performance
     v. to secure the delivery of savings projects that will lead to a reduction of OUH activity and a financial saving to the CCG in 18/19. This will be done by holding project leads to account for delivery and identifying where support is needed.
     vi. To scope additional areas for demand management initiatives to be implemented in-year.

B. CCG Savings Plan **Lead: PMO Manager**
   - Objectives:
     i. To secure the delivery of agreed CCG savings projects that will lead to cashable savings in 18/19 (those that are not in scope of the OUH AMP). As above this will be done by holding project leads to account for delivery and identifying where support is needed.
     ii. To scope additional areas for cash releasing savings that can be implemented in-year.

C. Budgetary Control **Lead: Deputy Director of Finance**
   - Objectives:
     i. To undertake a line by line review of all CCG programme and running costs budgets to identify areas for evaluation against the CCG's agreed definition of 'discretionary spend' (see below)

Some of these initiatives are already underway but each work-stream will develop its own plan to deliver against its objectives. These plans are to be presented in draft as the FRP at the Finance Committee meeting of 17th July 2018 with a timeframe for implementation of 12 weeks for full implementation.

Definition of Discretionary Spend

It is proposed that this takes a tiered approach with decisions becoming progressively more complex as they are evaluated against the FRP Decision Making Framework. The definition of these tiers is as follows:

i. Spend that has not yet commenced and is not bound by a contractual commitment.
ii. Spend that is being incurred but is not bound into contract and can be stopped, with an acceptable impact on core CCG commissioning responsibilities
iii. Spend that is being incurred, that is contracted for but notice can be given to cease/decommission, with an acceptable impact on core CCG commissioning responsibilities

In addition there will be types of commissioning decisions that need to be tested against the CCG's regulatory for the degree of discretion within them. Examples of these include:

- The purchase of additional activity to address RTT waiting time pressures
- Investment in capacity/services that support acute flow (DToC)

The question of what constitutes an acceptable impact is considered in the following section.

FRP Decision Making Framework

Under an FRP a focus on expenditure and grip is essential to stabilise the position, but such control cannot be at the expense of the quality and safety of care provided.

The CCG PMO contains a number of relevant templates and associated guidance used to evaluate business case decisions.

It is proposed that for any additional savings initiatives that the normal PMO approaches are adopted. However, for decisions that relate to the definitions of discretionary spend proposed above then it is proposed that the CCG uses the following framework to evaluate decisions. This aims to consolidate the individual assessments that should be completed in advance of Exec Team review.

Assessment Area	**Assessment Approach**	**Impact Rating**			
Saving potential*		High	Moderate	Low	
		-25	-10	0	
Strategic	Budget Manager/Holder view and recommendation Medium and long term impacts taken into account	Aligned	Neutral	Counter	
		1-9	10-17	18-25	
Reputation	Budget Manager/Holder view and recommendation	Low	Moderate	High	
		1-9	10-17	18-25	
Regulatory	Against 18/19 planning guidance and tested with NHSE	Low	Moderate	High	
		1-9	10-17	18-25	
Perverse Impact	Budget Manager/Holder view and recommendation To include assessment of impact on other parts of the system now or in future.	Low	Moderate	High	
		1-9	10-17	18-25	
Quality	CCG Quality Impact Assessment Tool (following CCG process) + assessment of pop^{n} size impact	Low	Moderate	High	Extreme
		1-3	4-7	8-14	15-25
Equality	CCG Equality Assessment Tool	Low	Moderate	High	
		1-9	10-17	18-25	
Privacy	CCG Privacy Impact Assessment Tool	Low	Moderate	18-25	
		1-9	10-17	18-25	
TOTAL		**<71**	**71-140**	**140>**	

*score deducted from the total of the other elements

All assessments are to be completed by the responsible budget manager and signed off by the budget holder the finance function and the quality team before submission. GP clinical leads should be involved as appropriate in this assessment.

Any decisions that are evaluated as green should progress. Any evaluated as red should not be progressed any further. Amber rated decisions should be presented to the Finance Committee for final decision.

Any proposals that may represent a significant change in access to services will require additional assessment in line with HOSC requirements.

FRP Governance

The SRO for the FRP will be the Director of Finance.

A Financial Recovery Taskforce will be set up on a task and finish basis to manage the delivery of the FRP to include the evaluation of proposals against the definition of discretionary spend and the decision making framework. Membership is proposed as:

Director of Finance, Chief Operating Officer, the 3 work stream leads, a Locality Clinical Direcotr, Heads of Service (planned care, urgent care and primary care).

Oversight of the design and delivery of the FRP will be via the Finance Committee, to include the sign off of the Taskforce evaluations for green and red rated schemes and will consider recommendations on amber rated proposals.

Each work-stream will determine the task and finish working group arrangements required to deliver its objectives.

Resources

At present it has not been deemed necessary to commission additional external support to the FRP process. This decision will be reviewed if delivery of the FRP cannot be assured with confidence.

The FRP process requires the commitment of CCG staff in the delivery of its objectives. Staff will be asked to reprioritise their existing workload to develop the FRP and as FRP actions are agreed for implementation. Management of priorities against key BAU activities will be agreed via the Executive Directors.

Communication

The SRO will work with the CCG communications leads to:

- Agree and send a briefing to all CCG staff on the need for the FRP and its process.
- Draft and send a communication to CCG member practices on the current situation for the CCG and to ask for support and assistance in demand management initiatives.
- Ongoing communication to stakeholders throughout the process.

Medium Term Recovery

Financial recovery is considered to be the first step of a Turnaround Programme. The definition of Turnaround is: a program to first halt the overspending and then work towards sustainable financial and operational excellence.

There are two key phases to a turnaround: stabilise and sustain. Stabilise is likely to solve the CCGs issues in the short term but the same issues may reappear or the issues could simply be passed to another organisation. It is important to recognise that “stabilisation” is not a one-off activity. The CCG must look to future models of care to become sustainable as

short-term stabilisation tactics treat the symptoms, but will not always address the underlying issue.

As the integrated care approach for Oxfordshire continues to develop it is recommended that system leaders accept the challenge to deliver this sustainability through joint work and transformation.