

APPENDIX A
2016/17 Financial Plan

Appendix A

2016/17 Financial Plan

1. Overview

- 1.1 This report provides a summary of NHS Eastern Cheshire Clinical Commissioning Group's (ECCCCG's) 2016/17 Financial Plan for the Governing Body. The Financial Plan underpins the delivery of ECCCCG's strategic objectives and intentions as defined within the Plan on a Page.
- 1.2 The 2016/17 financial year is set to be a challenging year for ECCCCG. The Financial Plan, as summarised in **Table One-A**, predicts a forecast annual deficit of circa £3.8m including the requirement to deliver a Quality Innovation, Productivity and Prevention (QIPP) reduction of £9.7m.
- 1.3 Throughout the 2016/17 financial planning submission process, NHS England has been actively engaged in reviewing and impelling ECCCCG in setting its Plan.

Table One-A: NHS Eastern Cheshire Clinical Commissioning Group's (ECCCCG's) 2016/17 Financial Plan Summary

Category	Income £000s	Spend £000s	(Surplus) / Deficit £000s
15/16 Forecast Outturn	(243,837)	242,424	(1,413)
Less Non Recurrent	2,166	(2,778)	
Plus 15/16 Full Year Effect		3,674	
15/16 Underlying Position	(241,671)	243,320	1,649
16/17 Additional Spend			
Primary Care (tfr)	(25,564)	25,564	
Recurrent	(7,513)	17,290	
QIPP		(9,660)	
Non Recurrent (15/16 Surplus)	(1,413)	3,500	
16/17 Financial Plan	(276,161)	280,014	3,853

2. Timetable

- 2.1 The initial timetable set by NHS England required a final submission on 11 April 16, although this was extended nationally by a week to 18 April 16. During recent conversations with Cheshire & Merseyside NHS England it is anticipated that there will be further stages to review plans alongside additional submission dates for those CCGs who are outside of the acceptable range for NHS England in terms of financial deficits.

3. Planned 2016/17 Expenditure

3.1 Assumptions

- 3.1.1 The 2016/17 planned expenditure is a significant increase when compared to the 2015/16 adjusted forecast outturn. The increase in expenditure of circa £21.6m (including QIPP) is down to a number of key factors which include the provider tariff uplift, ongoing pressures arising from Continuing Healthcare (CHC), East Cheshire Trust (ECT), full year effects of investments made in 2015/16 and estimated growth in contracts.

- 3.1.2 The 2016/17 Financial Plan has been created against the following key criteria:

- Recurrent expenditure based on forecast outturn as at Month 11.
- Non recurrent expenditure has been removed from the Plan.
- National guidance utilised for uplift to Provider Contracts and Prescribing.
- Taken account of local pressures:
 - Growth in population
 - Growth in contracts, ie, overperformance
- Emerging pressures.
- Non recurrent commitments, ie, CHC Restitution.
- NHS Business Rules (contingency and 1% Non Recurrent Headroom only).

3.2 Financial Bridge

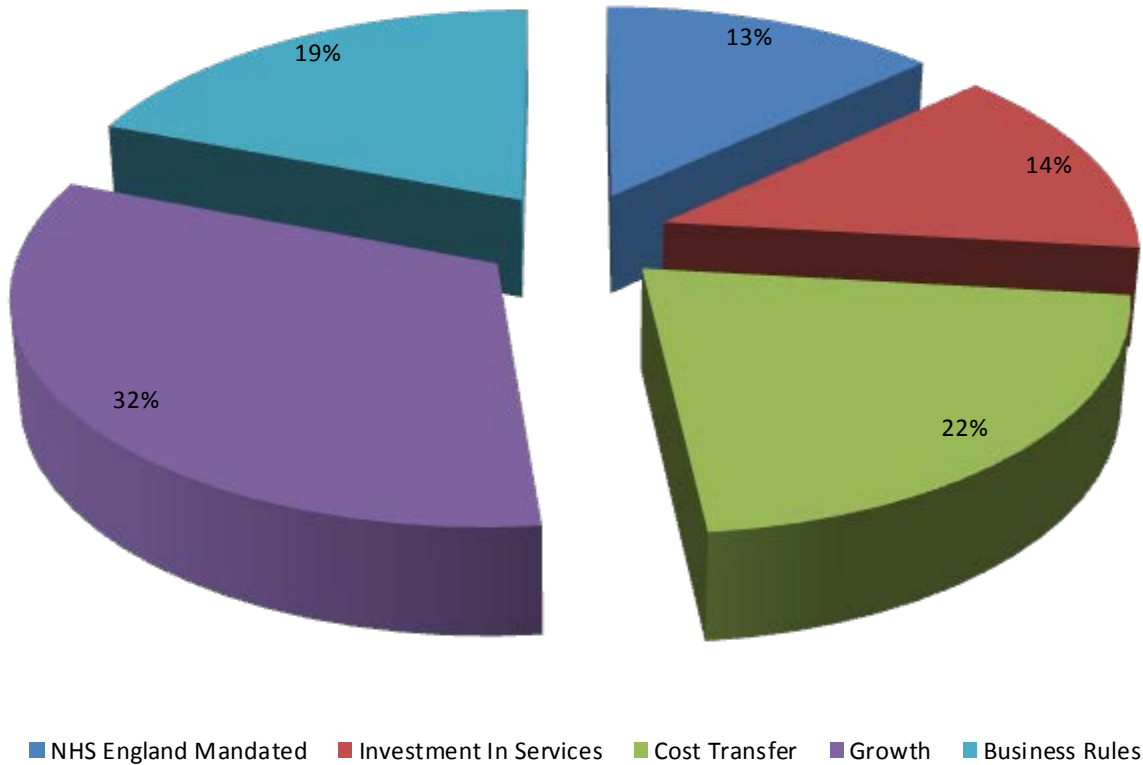
- 3.2.1 **Table Three-A** is a bridge which provides an overview of the changes in expenditure from 2015/16 to 2016/17.

Table Three-A: NHS Eastern Cheshire Clinical Commissioning Group's (ECCCg's) 2016/17 Financial Bridge



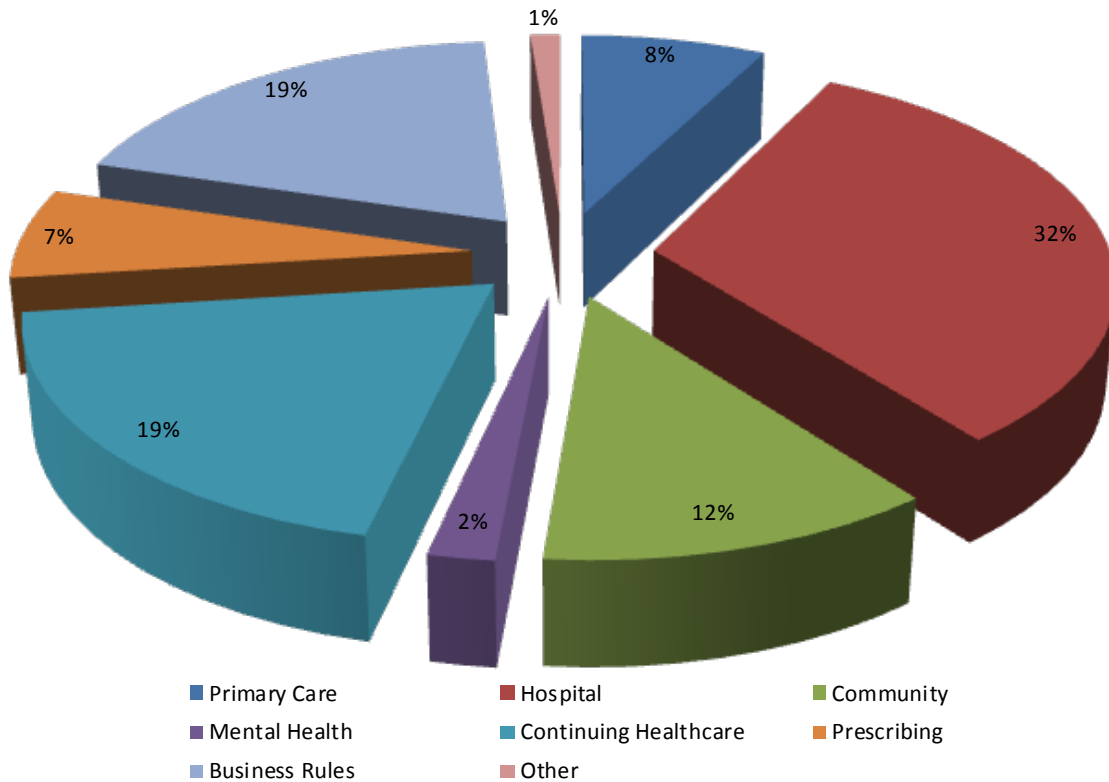
3.2.2 **Table Three-B** summarises how ECCCG's increased expenditure of £21.6m is apportioned by key themes.

Table Three-B: NHS Eastern Cheshire Clinical Commissioning Group's (ECCCG's) 2016/17 Additional Spend by Key Theme



3.2.3 **Table Three-C** summarises how ECCCCG's increased expenditure of £21.6m is apportioned across our key commissioning areas.

Table Three-C: NHS Eastern Cheshire Clinical Commissioning Group's (ECCCCG's) 2016/17 Additional Spend by Commissioned Areas



4. Underlying Position

4.1 2016/17 Financial Plan - Restated

4.1.1 Based on the 2016/17 planned deficit of £3.8m are a number of items which are non-recurrent, ie, one off in nature. It is important that the Governing Body understands the underlying position after removing the one off events. **Table Four-A** restates the current 2016/17 Financial Plan by assuming that the estimated spend and QIPP targets remain consistent. This would form the exit rate from 2016/17 into 2017/18.





4.1.2 The outcome indicates an underlying deficit of £1.766m which is an improvement of circa £2m when compared to the overall deficit of £3.853m.

Table Four-A: NHS Eastern Cheshire Clinical Commissioning Group's (ECCCCG's) 2016/17 Underlying Position			
Category	Income £000s	Spend £000s	(Surplus) / Deficit £000s
15/16 Forecast Outturn	(243,837)	242,424	
Less Non Recurrent	2,166	(2,778)	
Plus 15/16 Full Year Effect		3,674	
15/16 Underlying Position	(241,671)	243,320	1,649
16/17 Additional Spend			
Primary Care (tfr)	(25,564)	25,564	
Recurrent	(7,513)	17,290	
QIPP		(9,660)	
Non Recurrent (15/16 Surplus)			
Restated 16/17 Financial Plan	(274,748)	276,514	1,766
16/17 Financial Plan	(276,161)	280,014	3,853

4.2 **2016/17 Financial Plan – Restated to Deliver a Sustainable Financial Position**

4.2.1 In setting the 2016/17 Financial Plan, it is recognised that the current submission does not comply with our Constitution and NHS England's requirements to deliver services within our available allocation. This would include compliance against the full business rules which includes the need to deliver a 1% surplus year on year.

4.2.2 **Table Four-B** restates the 2016/17 Financial Plan by increasing the QIPP requirement in order to deliver a surplus of £2.7m (1%).

Table Four-B: NHS Eastern Cheshire Clinical Commissioning Group's (ECCCCG's) 2016/17 Underlying Position				
Category	16/17 Financial Plan £000s		Sustainable Financial Position £000s	17/18 & Beyond £000s
Income	(276,161)		(276,161)	
Spend	289,674		289,674	
QIPP	(9,660)	3.5% 	(16,274) 5.9%	
Deficit / (Surplus)	3,853		(2,761)	Maintain at 1%

4.2.3 Overall, the requirement is to reduce our expenditure by identifying a significantly higher and more challenging **recurrent** QIPP programme of £16.3m (5.9% of our allocation). This is based on restating the 2016/17 position and is likely to increase given the pressures that will materialise from the 2017/18 planning round. As an indication, the future QIPP requirement will need to be in the range of £16.3m - £24m.

4.2.4 This is a significant challenge for ECCCCG to deliver this scale of reduction which will have a significant impact on the delivery and range of services currently being commissioned. Work will remain ongoing to identify opportunities as part of our QIPP programme.

5. Quality, Innovation, Productivity & Performance (QIPP)

5.1 Included within the 2016/17 Financial Plan is a QIPP target of £9.66m which is required in order for ECCCCG to deliver against its planned deficit of £3.853m.

5.2 In line with our interim submission in March 2016, ECCCCG's 2016/17 Financial Plan was assuming a higher deficit with a QIPP target of circa £4m. The submission was challenged by NHS England with a requirement to improve our 2016/17 financial position. Subsequently, during recent weeks, NHS England has impelled us to reset our Plan with a reduced deficit and higher QIPP target alongside an increasing number of risks.

5.3 Given the recent QIPP target being increased by circa £5m, work is ongoing to identify further QIPP schemes that will support those schemes already developed in order to deliver the required savings.

5.4 **Table Five-A** provides a summary of the QIPP schemes identified to date, noting that they are a mixture of recurrent and non recurrent schemes. The aim is to identify recurrent savings to deliver the QIPP target in full, but to recognise the need to maximise any non recurrent (one off) opportunities as well.

Table Five-A: NHS Eastern Cheshire Clinical Commissioning Group's (ECCCCG's) 2016/17 Quality, Improvement, Productivity, Prevention (QIPP)					
Delivery Risk	Opportunity	Recurrent (Part Year)	Non Recurrent	16/17 Potential QIPP	16/17 Recurrent (Full Year)
	£000s	£000s	£000s	£000s	£000s
Identified to Date:					
Low	1,516	1,231		1,231	1,496
Med	6,109	1,497	3,216	4,713	1,867
High	5,171	2,311	185	2,496	4,770
Sub Total	12,796	5,038	3,401	8,440	8,133
To Be Identified				1,220	1,527
QIPP Target				9,660	9,660

5.4.1 The QIPP schemes have been classified as Low – Medium (Med) – High in terms of delivery risk.

- Low: No change in service, more effective use of resources, managed within existing ECCCCG resources.
- Med: Recommissioning of services, more effective use of resources, decommission services/contributions, manage within existing ECCCCG resources, work within contractual notice periods.
- High: Intensive work programme, recommissioning/decommissioning of services, potential adverse reaction from public, requires additional resources to support delivery, work within contractual notice periods.

5.4.2 1% Non Recurrent Headroom. Included within the £3.216m Non Recurrent QIPP value is the 1% headroom of £2.761m. NHS England has confirmed that this will be available to ECCCCG to support its position. This is on the basis that the 1% is not a substitute for QIPP schemes but recognises the delivery in year will be subject to a variety of constraints, ie, notice periods, engagement with Overview and Scrutiny etc.

5.4.3 QIPP to be identified. Work remains ongoing to identify additional QIPP opportunities of £1.22m for 2016/17. The challenge overall needs to be significantly greater given the requirement to return ECCCCG to a sustainable financial position. This, as indicated in section 4.2.3, would require a QIPP delivery of between £16.3m - £24m.

5.5 QIPP Delivery Risk

5.5.1 The QIPP target of £9.66m (3.5%) was provided by NHS England as an expected range of between 3% - 4% for those CCGs planning for a financial deficit. It is unclear as to what rationale was used to derive these ranges.

5.5.2 **Table Five-B** provides an assessment of the deliverability of QIPP in year which takes account of the issues highlighted previously. Whilst it is not the intention, it is highly likely that ECCCCG will not deliver in full its target for 2016/17. This will have a significant impact on the ability to deliver our current planned deficit of £3.853m.

Delivery Risk	16/17 Potential QIPP £000s	Delivery Risk		
		Low £000s	Likely £000s	High £000s
Identified to Date:				
Low	1,231	615	1,046	1,231
Med	4,713	3,737	4,225	4,420
High	2,496	998	1,373	1,747
Sub Total	8,440	5,351	6,644	7,398
To Be Identified/Shortfall In Year	1,220	4,309	3,016	2,262
QIPP Target	9,660	9,660	9,660	9,660

6. 2016/17 Financial Performance - In Year

- 6.1 Given the assessment made under Section 5.5 around our delivery risk associated with QIPP, our in year reporting is likely to be worse than our current planned deficit of £3.853m. It is also recognised that our current submission will not be the final position given that NHS England has indicated that further work is required to improve the position.
- 6.2 **Table Six-A** outlines the three scenarios concerning ECCC CG's planned deficit. NHS England has provided an indicative target deficit of £1.6m which ultimately would require our QIPP target to be increased by a further £2.3m to circa £12m which would be an unrealistic position for ECCC CG. The assessment of our QIPP schemes highlights an in year delivery (phasing) gap of circa £3m.

Table Six-A: NHS Eastern Cheshire Clinical Commissioning Group's (ECCC CG's) 2016/17 Financial Plan Options			
Category	NHS England Preferred Plan	NHS England / ECCC CG Plan	ECCC CG Deliverable Plan
	£000s	£000s	£000s
Income	(276,161)	(276,161)	(276,161)
Expenditure			
Spend	289,674	289,674	289,674
QIPP	(11,913)	(9,660)	(6,644)
Sub Total	277,761	280,014	283,030
Deficit/Surplus	1,600	3,853	6,869
Drawdown	3,013	5,266	8,282

- 6.3 It would be highly unlikely that NHS England would agree to our deficit deteriorating to a "realistic" in year position of a £6.9m deficit. Therefore, subject to further discussion with NHS England, the Governing Body would be supporting a Plan with an agreed deficit of £3.853m, recognising a high degree of probability that the in year performance will be a deficit of between £3.8m - £6.9m. This risk was highlighted within the planning submission.

7. Special Measures for CCGs

- 7.1 In line with NHS England's national guidance, it is possible that ECCC CG will be placed into Special Measures.

7.2 The following definition has been extracted from the linked document (please see below).

“Special measures will provide a structured approach for a CCG to improve its performance or capability where it has been assessed as failing to plan or commission services at a required level for its population or failing in its requirements to ensure financial balance, sustainability and value for money”

Special Measures Document: <https://www.england.nhs.uk/commissioning/wp-content/uploads/sites/12/2013/10/spec-meas-ccg.pdf>

7.3 As a result of ECCCCG submitting a planned deficit, NHS England has commissioned PricewaterhouseCoopers (PWC) to undertake an initial review covering two key stages:

- Stage 1: Assessment of robustness of 2016/17 Financial Plan
- Stage 2: Capability and Capacity Review of ECCCCG

7.4 In terms of Stage 1, PWC has been working with ECCCCG since 11 April 16 with a draft report being submitted to NHS England on 21 April 16. Whilst no dates have been confirmed for Stage 2, it is expected that the scope will be influenced by the outcome of Stage 1 although it is anticipated that this will be during the next 4-8 weeks.

7.5 At the time of writing this report the draft findings had not been finalised. However, initial discussions have highlighted a range in risks with a best case being similar to those identified by ECCCCG as part of its planned submission. Assuming this remains consistent within the final report, this would support the level of risk associated with ECCCCG's Financial Plan and subsequent risk of delivering with a deficit of £3.853m.