

Clinical Commissioning Group

Wiltshire Clinical Commissioning Group

Governing Body

Paper Summary Sheet

For: PUBLIC session PRIVATE session

Date of Meeting: 24 January 2017

For: Decision Discussion Noting

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|---|---|
| Agenda Item and title: | Medium Term Financial Plan 2017/18 – 2021/22 |
| Author: | Steve Perkins – Chief Financial Officer Donna Lynch – Finance Manager (Community & Joint Commissioning) |
| Lead Director/GP from CCG: | Steve Perkins – Chief Financial Officer |
| Executive summary: | <p>The recent operating plan guidance from NHS England (NHSE) requires commissioners and providers to develop two year financial plans and contracts that show alignment with the System Transformation Plan (STP) and the delivery of a system control total.</p> <p>NHS Wiltshire CCG's five year medium term financial plan (MTFP) is consistent with the NHSE planning requirements (to deliver a cumulative 1% surplus in each financial year and to hold a 1% headroom reserve to support service redesign) and the assumptions within the STP model.</p> <p>This paper outlines the national assumptions that are in the STP model and an alternative of the CCG's medium term position based on local assessment.</p> <p>In order to deliver this position QIPP savings in the range of c£12m-c£17m per annum are required with an anticipated total QIPP requirement of c£72m across the five year period, based on local assumptions.</p> |
| Evidence in support of arguments: | N/A |
| Who has been involved/contributed: | Finance, Information, Commissioning leads, STP Partners, CCG finance committee, NHS England. |

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|--|---|
| Cross Reference to Strategic Objectives: | Delivery of statutory financial targets and NHSE Operating Plan Guidance and business planning rules. |
| Engagement and Involvement: | N/A |
| Communications Issues: | None |
| Financial Implications: | <p>Failure to deliver the CCG's cumulative 1% surplus position will reduce the CCG's ability to commission and redesign services and will undermine the financial stability of provider organisations.</p> <p>If the CCG is not able to mitigate its risks it will need to consider its reported position to NHS which will enact appropriate assurance measures.</p> |
| Review arrangements: | Regular review with key updates provided e.g. on release of allocations, material changes to QIPP challenge etc. |
| Risk Management: | Contingent reserves are held by the CCG to mitigate in year emerging issues. The current position of the CCG shows that the level of identified issues outweighs these reserves. A range of robust QIPP plans and actions need to be identified and delivered against to ensure that the CCG is financially stable. |
| National Policy/ Legislation: | NHS England financial requirements. |
| Public Health Implications: | N/A |
| Equality & Diversity: | N/A |
| Other External Assessment: | The CCG's financial plan will be assessed by NHS England for business rule compliance and deliverability. |
| What specific action re. the paper do you wish the Governing Body to take at the meeting? | The Governing Body is asked to agree the MTFP position, and to support the identification, development and delivery of QIPP schemes to ensure financial sustainability. |

**NHS Wiltshire CCG Governing Body
24 January 2017
Medium Term Financial Plan 2017/18 to 2021/22**

1) Summary

The recent operating plan guidance from NHS England (NHSE) requires commissioners and providers to develop two year financial plans and contracts that show alignment with the System Transformation Plan (STP) and the delivery of a system control total.

NHS Wiltshire CCG's five year medium term financial plan (MTFP) is consistent with the NHSE planning requirements (to deliver a cumulative 1% surplus in each financial year and to hold a 1% headroom reserve to support service redesign and system risk).

The plan has been reviewed by the Governing Body at its meeting in November, and also in detail by the finance committee, at its October meeting, with the key extracts below. The finance committee supported the use of a mix of national and local assumptions to inform the 2017/18 and beyond financial position. This position has also been used for the STP plan submissions for consistency and has recently been updated to reflect the impact of recent contract agreements.

In order to deliver this position QIPP savings in the range of c£12m-£17m per annum are required with an anticipated total QIPP requirement of c£72m across the five year period.

2) Operating Plan Guidance (Finance requirements)

NHSE published the 2017/18 to 2018/19 operating plan [guidance](#) on the 22nd September – this covered a range of priority areas for local health economies to deliver against (9 key “must dos”) with the overarching theme that this must be done on a STP footprint basis. In relation to the financial requirements of the guidance the key messages are:

- Two year contracts to be implemented within a condensed timescale (see appendix 1)
- Two year tariff, CQUIN and quality premium schemes to be in place
- STP financial control totals to be introduced
 - o These will be the summation of individual organisation control totals
 - o All organisations within the STP to be responsible for their individual positions and the overall position – STPs have the ability to request a flexing of the delivery of control totals within their footprint but not the aggregate value.
- Tariff uplifts, with efficiency requirements, confirmed for 2017/18-2018/19.

- Strategic transformation funding to be made available again in 2017/18 to providers of emergency care and non-acute providers – trajectories for accessing the fund to be based on 2016/17.
- In addition to CCG parity of esteem investment in mental health there will be central funds for earmarked schemes
- Risk reserve (£800m) to support the overall system to be maintained via CCG headroom, NHSE contribution and via provider CQUIN
- CCG allocations may be updated for tariff impacts and specialised changes

3) Overview of financial plan

The initial MTFP was built using the national planning assumptions to ensure consistency with partners as part of our STP plan. This position has been further refined to give a local view of the growth and investment assumptions that should be included within the CCG's MTFP and were presented to the finance committee for agreement.

Explained below are the high level assumptions included within the STP and local plans:

3.1 Allocation assumptions

Allocations assumptions continue to be based upon the revenue allocations published in December 2015 covering the period of 2016/17 to 2020/21. As the CCG's plan goes to 2021/22 an assumption on anticipated growth in allocations for this year is included.

Table 1: Allocation uplift assumptions

| Allocation type | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-----------------|---------|---------|---------|---------|---------|
| Programme costs | 2.44% | 2.39% | 2.45% | 4.15% | 2.40% |
| Running costs | (0.13%) | (0.10%) | (0.10%) | 0.06% | 0.00% |

3.2 Time period for basis of plan

The MTFP has been based on the recurrent impact of the month 4 financial position. Adjustments have been made to take account of specific pressures in relation to funded nursing care which were not included within the reporting period.

The MTFP will be iterated to reflect the recurrent impact of changes in the forecast outturn position at regular intervals.

3.3 Inflation and efficiency assumptions

Summarised below are the net inflationary uplift assumptions provided by NHSE for inclusion within contracts.

Table 2: Inflation and efficiency assumptions

| Type | Provider type | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|------------|------------------|---------|---------|---------|---------|---------|
| Efficiency | NHS | -2.0% | -2.0% | -2.0% | -2.0% | -2.0% |
| | non NHS provider | -2.0% | -2.0% | -2.0% | -2.0% | -2.0% |
| | Prescribing | -2.0% | -2.0% | -2.0% | -2.0% | -2.0% |
| Inflation | Acute NHS | 2.1% | 2.1% | 2.0% | 2.9% | 2.9% |
| | Non acute NHS | 2.1% | 2.1% | 2.0% | 2.9% | 2.9% |
| | Non acute | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| | CNST | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% |
| | Prescribing | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Net impact | Acute NHS | 0.4% | 0.4% | 0.3% | 1.2% | 1.2% |
| | Non acute NHS | 0.1% | 0.1% | 0.0% | 0.9% | 0.9% |
| | Non acute | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| | Prescribing | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

3.3 Growth assumptions

Summarised below are the growth assumptions included within the local MTFP.

Table 3: National and local level growth assumptions

| | 1718 | | 1819 | | 1920 | | 2021 | | 2122 | |
|-------------------------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|
| | National | Local | National | Local | National | Local | National | Local | National | Local |
| Acute - OP attendances | 4.0% | | 4.1% | | 4.1% | | 3.9% | | 3.9% | |
| Elective admissions | 2.3% | | 2.4% | | 2.3% | | 2.1% | | 2.1% | |
| Non Elective admissions | 2.3% | | 2.6% | | 2.6% | | 2.4% | | 2.4% | |
| A&E attendances | 2.2% | | 2.4% | | 2.3% | | 2.3% | | 2.3% | |
| RDAs & other | 4.0% | | 4.1% | | 4.1% | | 3.9% | | 3.9% | |
| Drugs | | 10.0% | 15.0% | | 15.0% | | 15.0% | | 15.0% | |
| Mental Health | 1.9% | | 1.9% | | 1.9% | | 1.8% | | 1.8% | |
| Community | | 0.9% | 3.4% | | 3.4% | | 3.3% | | 3.3% | |
| Ambulance | 2.3% | | 2.6% | | 2.6% | | 2.4% | | 2.4% | |
| CHC | | 4.0% | | 4.0% | | 4.0% | | 4.0% | | 4.0% |
| Prescribing | | 3.0% | | 3.0% | | 3.1% | | 3.2% | | 3.3% |
| Primary Care | | 1.5% | | 1.5% | | 1.5% | | 1.5% | | 1.5% |

In addition to the non-demographic growth assumptions outlined above, standard demographic growth, in line with ONS projections modelled within allocations, has been included as set out below.

Table 4: Demographic growth assumptions

| | 1718 | | 1819 | | 1920 | | 2021 | | 2122 | |
|--------------------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|
| | National | Local | National | Local | National | Local | National | Local | National | Local |
| Demographic growth | 0.60% | | 0.60% | | 0.60% | | 0.60% | | 0.60% | |

4 New investments 2017/18 – 2018/19

In addition to the demand growth investment requirements a number of other investments have been included within the MTFP. New investments have been kept to a minimum and represent either business planning requirements or pre-agreed strategic investments. The key investments included within our local model are summarised below:

Table 5: Key new investments in 2017/18 – 2018/19

| Investment | £'000s | |
|--|--------|--------|
| | 17/18 | 18/19 |
| Headroom | 5,830 | 5,970 |
| Contingency | 2,957 | 3,027 |
| FNC fees | 2,200 | 0 |
| Mental Health Parity of Esteem (balance in growth funding) | 574 | 1,344 |
| Community equipment | 500 | 500 |
| Other investments <£500k each | 995 | 513 |
| | 13,056 | 11,354 |

The operating plan guidance requires CCGs to commit resources, on a non-recurrent basis, to support GP practice transformation over the two year planning period. Wiltshire is in an advanced position in that funds are recurrently set aside within the primary care offer to support this.

5 Summary position and QIPP challenge

Summarised below is the impact of the above outlined assumptions on the CCG's MTFP.

Table 6: Summary MTFP Source and Applications

| Area | Description | £m | | | | |
|---|--|---------------|---------------|---------------|---------------|---------------|
| | | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Sources | Baseline | -577.5 | -591.4 | -605.3 | -619.7 | -644.8 |
| | Growth | -13.9 | -14.0 | -14.6 | -25.4 | -15.3 |
| | Surplus b/f | -5.9 | -5.9 | -6.1 | -6.2 | -6.5 |
| | Total | -597.3 | -611.4 | -625.9 | -651.3 | -666.6 |
| Applications | Baseline | 573.4 | 584.2 | 598.7 | 610.6 | 635.5 |
| | Net inflation | 1.2 | 1.2 | 0.8 | 4.9 | 6.5 |
| | Demographic and non-demographic growth | 16.2 | 19.9 | 20.8 | 21.4 | 22.9 |
| | Investments | 15.1 | 15.1 | 11.6 | 21.3 | 12.2 |
| | QIPP | -14.5 | -15.0 | -12.3 | -13.4 | -17.1 |
| | Total | 591.4 | 605.3 | 619.7 | 644.8 | 660.0 |
| (Surplus) / Deficit position per annum | | -5.9 | -6.1 | -6.2 | -6.5 | -6.6 |
| (Surplus) / Deficit position per annum as a % of resources | | 1.0% | 1.0% | 1.0% | 1.0% | 1.0% |

In year QIPP savings of £14.5m have been included within the budgetary positions against the relevant service contracts or programme areas. These savings represent cashable savings that are required by the CCG to achieve its required surplus target. Table 7 below shows the summary QIPP position by programme and scheme:

Table 7: Programme analysis of 2017/18 QIPP

| Programme area | Value / £'m |
|-----------------------------|-------------|
| Unplanned care | 3.0 |
| Planned care | 1.9 |
| Prescribing | 1.8 |
| Non acute programmes | 1.0 |
| Running costs | 0.5 |
| Contractual efficiencies | 1.9 |
| Slippage on investments | 0.8 |
| Unidentified / TBC | 3.6 |
| TOTAL QIPP CHALLENGE | 14.5 |

QIPP schemes will be monitored and reported to the governing body via the projects section of the Integrated Performance Report.

6 Sensitivity and risk analysis

The above position is subject to a number of variables within the assumptions. The main areas of risk to this position are:

- Increases costs within the Payment by Results tariff resulting to the move to the new activity grouper (HRG4+)
 - o Every 0.25% increase is a cost pressure of c£1m
- Increases in the level of CNST uplifts that are required in addition to tariff prices – currently we are using a working assumption of 0.3%
 - o Every 0.25% increase is a cost pressure of c£0.6m
- Prescribing has seen a strong in year performance against the national rolling growth rate and is assumed not to need the level of national growth suggested.
 - o Every 1% increase in prescribing growth is a cost pressure of c£0.8m
- The minimum contributions to the Better Care Fund (BCF) are currently assumed as steady state – if these change the CCG will need to review what services it can realign with the BCF
- Material changes to the forecast outturn position will need to be reflected which may have a positive or negative impact

7 Surplus reporting

Under NHSE business rules, CCGs are required to deliver a cumulative 1% surplus based on their recurrent resources. From 2017/18 there is the possibility that the mechanism for reporting the cumulative surplus position may be changed to represent an in year approach.

The position in table 6 currently assumes that the 2016/17 surplus is returned to the CCG – discussions are currently in progress with NHSE to confirm the presentation of surplus reporting which would either see:

- The prior year surplus returned to the CCG and an incremental underspend delivered to total 1% of resources, or

- The prior year surplus is not returned and incremental underspend is delivered which brings the total cumulative underspend to 1% of resources. This additional underspend element may be removed from the CCG's resources so that a breakeven position is reported with a memorandum balance sheet included to represent the cumulative historic 1% surplus position.

8 Recommendation

The Finance and Performance Committee have reviewed the MTFP and have recommended the information contained within it to be supported by the Governing Body.

The Governing Body are asked to ratify this position, to support the development and delivery of QIPP schemes and to note the implications of the treatment of surplus reporting.