

NHS Wiltshire Clinical Commissioning Group
Governing Body
Paper Summary Sheet
Date of Meeting: 24 September 2013

For: Decision Discussion Noting

Agenda Item and title:	GOV/13/09/18 NHS Wiltshire Clinical Commissioning Group (CCG) Medium Term Financial Plan 2014/15 – 2016/17
Author:	Steve Perkins, Deputy Chief Financial Officer
Lead Director/GP from CCG:	Simon Truelove, Chief Financial Officer
Executive summary:	The paper sets out the medium term financial position of the CCG in light of the recent comprehensive spending review and the resultant Quality Innovation Productivity and Prevention (QIPP) challenge for the CCG. In each of the financial years the CCG are planning on delivery a surplus of 1%
Evidence in support of arguments:	
Who has been involved/contributed:	Finance and information teams
Cross Reference to Strategic Objectives:	Links to “Clear and Credible Plan”, “Everyone Counts: Planning for Patients 2013/14” and the Joint Strategic Needs Assessment
Engagement and Involvement:	n/a
Communications Issues:	n/a
Financial Implications:	The financial plan outlines the size of the QIPP challenge to the organisation in order to achieve financial balance and highlights that investments will need to be self-financing
Review arrangements:	Quarterly review to take account of commissioning intentions, allocation announcements and identified cost pressures.

<p>Risk Management:</p>	<p>Contingent reserves are held to mitigate in year emerging pressures. A robust QIPP programme, underpinned by the Project Management Office (PMO) methodology, will be required to ensure delivery of the QIPP challenge to support financial policy</p>
<p>National Policy/ Legislation:</p>	<p>n/a</p>
<p>Equality & Diversity:</p>	<p>n/a</p>
<p>Other External Assessment:</p>	<p>n/a</p>
<p>What specific action do you wish the Governing Body to take?</p>	<p>The Governing body are asked to discuss and note the context of the medium term financial plan.</p>

NHS Wiltshire Clinical Commissioning Group

Governing Body

24th September 2013

Medium Term Financial Plan 2014/15 – 2016/17

1 Introduction

- 1.1 This paper outlines the 3 year financial position of NHS Wiltshire Clinical Commissioning Group (WCCG) between 2014/15 and 2016/17.

2 Summary

- 2.1 WCCG has developed a Medium Term Financial Plan (MTFP) for the services that it has responsibility for commissioning.
- 2.2 The MTFP has been informed by local strategies such as the CCG's "clear and credible plan", the Joint Strategic Assessment (JSA) for Wiltshire and national requirements such as "Everyone Counts: Planning for patients 2013/14."
- 2.3 In each year the CCG is planning on delivering a surplus which will be underpinned by transformational and transactional Quality, Innovation, Productivity and Preventative (QIPP) schemes.

3 Planning framework

- 3.1 2014/15 is the fourth, and final, year of the current comprehensive spending review (CSR) settlement. The current CSR requires the NHS to deliver efficiency savings of £20bn for reinvestment in improving quality. As part of the Government's commitment to the NHS it was stated that the NHS would continue to receive real terms growth during this spending review period.
- 3.2 NHS England have recently published "The NHS belongs to the people: a call to action" which outlines that between 2013/14 and 2020/21 the NHS is facing a potential funding gap of £30bn which will require a continued focus on service redesign via the QIPP agenda and ensuring value for money for NHS resources.
- 3.3 The Government has recently published its latest CSR covering 2015/16. The key outcomes from this are:
- The NHS will continue to receive real terms growth, equivalent to 0.1% above inflation.

- An expectation that cash releasing efficiencies (CRES) will need to be maintained at c4%
- The NHS and local government will create a £3.8bn Integration Transformation Fund (ITF) held by local authorities. This will include the topslicing of resources from CCGs and transferring them to Local Government under a partnership arrangement.

3.4 The ITF will be made up as follows:

Table 1: Summary of the ITF

Area	£'bn
Funding transferred to local authorities in 2014/15 by NHS England	0.9
Additional investment to local authorities in 2014/15 by NHS England	0.2
DH and other government department transfers	0.4
CCG pooled funding:	
Re-ablement funding	0.3
Carers break funding	0.1
Core CCG funding	1.9
TOTAL	3.8

The intention of the ITF is to satisfy nationally prescribed condition including:

- Protection for social care services (with the definition determined locally)
- Seven day working in social care to support patients being discharged and to prevent unnecessary weekend admissions
- Better data sharing between health and social care
- Plans and targets for reducing A&E attendances and emergency admissions
- Risk sharing principles and contingency plans for if/when targets are not being met
- Agreement on consequential impacts of changes in the acute sector

3.5 Initial analysis by NHS England suggests that the value of core funding to be included in the ITF may be equivalent to 3% - for Wiltshire this would equate

to £15m based on the recurrent baseline of WCCG at the end of 2013/14. If the allocation of the £1.9bn was based on population shares the WCCG value would be equivalent to £16.5m.

Table 2: National, and Wiltshire populations using ONS13 projections

Area	Value
ONS13 population projections – England	53,807,894
ONS13 population projections – Wiltshire	466,534
Wiltshire as a % of England	0.87%

The full impact of the CSR on WCCG will be to transfer funds of up to £20m to Wiltshire Council. It has been agreed that the Joint Commissioning Board for Wiltshire will be responsible for these joint funds as the Council and CCG move further together in its working arrangements.

Table 3: Summary of the ITF for WCCG

Area	National / £'m	Local view / £'m	Based on population share / £'m
Re-ablement funding	300	2.4	2.6
Carers funding	100	0.8	0.9
Core CCG funding	1,900	15.0	16.5
TOTAL	2,300	18.2	19.9
% of baseline 2013/14 resources	3.6%	3.6%	4.0%

3.6 As part of the MTFP WCCG have planned on having its resources reduced by the population share values (£19.9m). In the case of re-ablement and carers funding this reduction will be matched in most part by matching expenditure. It is assumed that the bulk of core CCG funding will be linked to a reduction in CCG resources, and will be separate to the uncommitted headroom reserve held by the CCG.

3.7 During the period of the MTFP WCCG are required to plan for:

- 1% surplus in each year
- 2% uncommitted headroom reserve to pump prime service change
 - o n.b. this is in addition to the WCCG contribution to the ITF
- 0.5% contingency to manage in year emerging pressures

- o n.b. locally it is planned to hold a further 0.5% contingency from 2015/16 to mitigate additional financial pressures that may emerge from the creation of the ITF

The planned level of surplus to be delivered in each year of the MTFP is set out below:

Table 4: Planned surplus over the period 2014/15 to 2016/17

Year	Surplus £'m
2014/15	5.1
2015/16	5.0
2016/17	5.1

4 Identifying investment requirements

4.1 Recurrent investments will need to be self-financing either as a consequence of the investment or additional savings are found elsewhere. The 2% Headroom reserve will be used to pump prime investments which support the delivery of the CCG's QIPP schemes and other operational pressures. All investments will follow the Investment Framework and the principles set out for the Project Management Office (PMO).

4.2 The MTFP includes investments in line with:

- National priorities identified within Everyone Matters: Planning for Patients 2013/14
- Wiltshire CCG Clear and Credible Plan 2013/14 – 2014/15
- Demographic and non-demographic growth requirements
- Joint Strategic Assessments (JSA) and Joint Health and Wellbeing Strategy (JHWS)
- WCCG commissioning intentions
- Horizon scanning of future investment requirements e.g. NICE drugs

4.2 The MTFP assumes an increase in funding for acute services in relation to demographic and non-demographic growth. The demographic growth assumptions of 0.6% are based on the ONS population projections from 2010 (shown below in table 5). The non-demographic growth assumptions (1.4%) are to reflect the additional costs of service consumption associated with an ageing population.

Table 5: Demographic changes by age band per year

Age band	2014/15	2015/16	2016/17
<4 years old	0.72%	0.00%	0.00%
<15 years old	0.36%	0.36%	0.24%
15-44 years old	(0.99%)	(0.82%)	(0.76%)
>65 years old	3.06%	2.66%	2.40%
>75 years old	2.75%	2.90%	2.17%

4.3 The JSA and JHWS outline the key aims that are sought for the people of Wiltshire which the CCG intends to support through its commissioning intentions which are:

- People live for longer
- People live healthier for longer and enjoy a better quality of life
- People live independently for longer
- People live fairly, reducing the higher levels of ill health faced by some less well-off communities.

4.3 Investments will be prioritised in line with WCCG's strategic objectives to ensure:

- Delivery of nationally identified priorities
- Realisation of local priorities
- Achievement of national targets

5 MTFP Assumptions

5.1 Table 6 below shows the key assumptions that have been included within the MTFP position:

Table 6: The WCCG MTFP assumptions 2014 - 2017

	2014/15	2015/16	2016/17
Growth in programme resources %	1.9	1.8	1.7
Growth in running cost resources %	(7.5)	0.0	0.0
CRES %	(4.0)	(4.0)	(4.0)
NHS uplift before CRES %	2.9	2.9	2.9
Non NHS uplift before CRES %	4.0	4.0	4.0
Demographic and non-demographic growth %	2.0	2.0	2.0
Adjustment to resources for ITF %	0.0	(4.0)	0.0

5.3 As shown in table 4 the CCG is planning on delivering a surplus of 1% per annum across the period of the MTFP.

5.4 The summary MTFP position, summarised within appendix 1, includes assumptions related to prior year outturn pressures and known investment requirements.

5.5 As part of planning for the reduction in funding for the ITF, in 2015/16, the CCG is setting aside 50% of the additional core funding (£8.5m) in 2014/15 with the remaining 50% being set aside in 2015/16. The impact of the creation of the ITF is to mitigate the majority of growth funding that the CCG receives in 2014/15 and 2015/16.

6 QIPP

6.1 The MTFP identifies a QIPP challenge that WCCG will look to deliver via transactional and transformational QIPP schemes to ensure financial balance. The current MTFP reflects minimal recurrent new recurrent expenditure without any corresponding expenditure reduction apart from funding known cost pressures.

6.2 The summary QIPP challenge for each year of the MTFP is shown below

Table 7: QIPP challenge within the MTFP

Year	2014/15	2015/16	2016/17
QIPP challenge / £'m	10.7	7.1	2.2

6.3 With the creation of the ITF fund from core CCG funding consuming growth in CCG resources, it will be necessary that any additional investments are matched by a supporting QIPP scheme so that new investments are self-funding.

- 6.4 The identification of QIPP schemes will utilise local knowledge that has identified opportunities and benchmarking of WCCG activities against other regional and national commissioners and providers to allow a wider targeting of opportunities.

7 Sensitivity analysis

- 7.1 Sensitivity analysis has been undertaken on the CCG's MTFP to model the impact to the CCG and its QIPP agenda in light of potential changes to resource limit growth and inflationary pressures.
- 7.2 Table 8 below summarises the additional impact on the CCG's QIPP challenge in 2014/15 from a change in the level of programme resource growth:

Table 8: Impact on QIPP challenge from changes to programme allocations

Programme Allocation growth %	Allocation growth / £'m	Additional QIPP challenge / £'m
1.90 (base scenario)	9.5	0.0
1.65 (0.25% reduction)	8.3	1.3
1.40 (0.50% reduction)	7.0	2.5
1.15 (0.75% reduction)	5.8	3.7
0.90 (1.00% reduction)	4.5	5.0

- 7.3 Table 9 below summarise the additional impact on the CCG's QIPP challenge in 2014/15 from a change in the level of inflationary uplifts to NHS providers.

Table 9: Impact on QIPP challenge from changes to inflationary uplifts

Net inflationary uplift %	Net inflationary uplift / £'m	Additional QIPP challenge / £'m
-1.10 (base scenario)	(1.3)	0.0
-0.75 (0.35% reduction)	(0.4)	0.9
-0.50 (0.60% reduction)	0.3	1.6
-0.25 (0.85% reduction)	1.0	2.3
0.00 (1.1% reduction)	1.7	3.0

The focus of QIPP delivery will be to reduce the level of clinical intervention and to promote greater self-awareness and self-management across the population. However the QIPP opportunity will become more difficult especially as the

demographic impact of an aging population hits the system. The WCCG strategic plan will describe the QIPP opportunities for 2014/15 and beyond once it has been finalised.

8 Financial Risks

8.1 The following risks will influence the delivery of the 3 year MTFP:

- Demographic growth levels in the acute sector being above planned levels
- Prescribing growth exceeding planned levels
- Mandatory cost pressures are higher than the planned levels
- Level of transformational and transactional QIPP cannot be achieved
- In year pressures exceed planned contingency levels and cannot be managed down to affordable levels
- Greater levels of over performance within service level agreements that cannot be mitigated via QIPP schemes of contingent reserves
- Control of the usage of the uncommitted headroom is removed from CCGs and passed to another statutory body to manage which may impact on funding for service redesign.
- Access to the ITF does not support CCG priorities.
- That the capital grant process for community equipment services is not continued and will result in a financial pressure to the CCG.

9 Recommendations

9.1 The Governing Body are asked to note the context of the MTFP and to support the integration of the MTFP within the overall CCG strategic plan.

10 Appendices

- Appendix 1 MTFP base scenario summary source and applications

Appendix 1 - Summary Source and applications

	2014/15 £'m	2015/16 £'m	2016/17 £'m
Sources			
Recurrent baseline allocation	500.2	509.7	498.6
Adjustment to recurrent baseline allocation	0.0	-19.9	0.0
Growth	9.5	8.8	8.5
Anticipated adjustments	5.0	5.1	5.0
Running costs	10.8	10.8	10.8
Total sources of funding	525.5	514.5	522.9
Applications			
Gross opening budgets	506.8	515.4	503.5
Baseline adjustments	0.0	-11.4	0.0
Outturn issues	9.1	5.0	5.0
Surplus budget included in baseline budgets	5.0	5.1	5.0
Other anticipated miscellaneous budgets	0.0	0.0	0.0
Non-recurrent adjustment to Expenditure Baseline (incl. CQUIN)	0.0	0.0	0.0
Opening baseline budget	521.0	514.0	513.5
Gross Provider Efficiency	-19.1	-19.3	-19.4
Provider Inflation	17.8	17.9	18.1
Net Tariff Deflation / Inflation	-1.3	-1.3	-1.3
Activity Growth (Demographic)	1.7	1.7	1.7
Activity Growth (Non-Demographic)	3.9	3.9	4.0
Cost pressures	2.3	0.1	0.1
Additional surplus investment	0.1	-0.1	0.1
Investment	8.5	2.4	0.4
Application of Allocation / Pass through	0.0	0.0	0.0
Other Income	0.0	0.0	0.0
CQUIN	0.1	0.1	0.1
Investments for balance	0.0	0.0	5.0
QIPP	-10.6	-6.3	-1.5
Net investments	5.9	1.7	9.8
Total applications	525.5	514.5	522.9
NET sources and applications position - should be 0 if not (surplus) / deficit	0.0	0.0	0.0
<i>Memo note - total planned surplus included in above position</i>	<i>5.1</i>	<i>5.0</i>	<i>5.1</i>