

<b>Date</b>	27 March 2018
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<b>Title of paper</b>	<b>Financial Planning Update</b>
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<b>Confidential</b>	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input checked="" type="checkbox"/>	Items are only confidential if it is in the public interest for them to be so

**The Governing Body is asked to:**

- Approve the initial high level budget for 2018/19 in pursuit of delivery of our objectives, based on the draft NHS E submission. The detailed budget, following conclusion of the contracting round and consideration of financial risk management arrangements, will be brought back to the Governing Body meeting in May.
- Note that, until we agree the final budgets, no new investments will be made other than those decreed by the Accountable Officer to be 'invest to save' investments.

**Summary of purpose and scope of report**

This paper provides an update to the Governing Bodies on the current position of financial planning for 2018/19 across the NWL system, including North West London Financial Strategy presented to the Governing Body at the February meeting.

**Quality & Safety/ Patient Engagement/ Impact on patient services:**

N/A

**Finance, resources and QIPP**

Attached briefing discusses these points.

**Equality / Human Rights / Privacy impact analysis**

QIPP plans are supported by individual workbooks detailing implementation and setting out risks and EQUIAs.

<b>Risk</b>	<b>Mitigating actions</b>
Risks are outlined in the body of the paper.	N/A

<b>Supporting documents</b>

<b>Governance and reporting</b>		
<b>Committee name</b>	<b>Date discussed</b>	<b>Outcome</b>
Governing Body Seminar – NWLFS	6 February	Presentation of NWLFS by CFO, a wide ranging discussion, highlighting general agreement to the principles, although some concerns on the level of NWL wide QIPP and system ability to deliver.
Finance & Performance – Finance Plan	13 March	Noting the draft budget submission to NHSE of 8 <sup>th</sup> March. Presentation of high level budget and key assumptions in the finance submission, recognised the need to focus on recurrent savings to support the prospect of low growth in 18/19 and in future years.

## **1. Purpose**

- 1.1. This paper provides an update to the Governing Bodies on the current position of financial planning for 2018/19 across the NWL system.

## **2. Background**

- 2.1. The latest view of the financial operating plan was submitted to NHS England on 8<sup>th</sup> March 2018, in line with the national timetable. The plan was signed off by the CFO and is presented in summary for Governing Body approval.
- 2.2. The NWL collaborative allocation totalled £3.2b, against which net savings of £142m (4.4%) were required in order to deliver the required financial position (control total).
- 2.3. Hammersmith & Fulham CCG total income is £299m, including primary care delegation, an initial planning assumption for QIPP is £18m (6%). The draft plans show a planned 2018/19 in year 'normalised' deficit of £1.2m, plus a further £14m of exceptional pressure arising from GP at Hand. This combines for a total planned deficit of £15.2m in year.
- 2.4. As at M10 the H&F forecast predicts an accumulated/historic carry forward surplus of £5.1m entering 2018/19; accordingly the draft plan will deliver a deficit carried forward from 2018/19 of £10.1m.
- 2.5. There is currently an element of unidentified QIPP which CCGs are seeking to bridge. The scale of savings required is larger than any other year and work continues to take cost out across providers and commissioners.
- 2.6. This draft works to the planning assumption that CCGs will contribute 1% of their allocation to a NWL financial strategy (NWLFS), creating a resource pool of just under £30m.

## **3. NWL financial recovery programme**

- 3.1. The NWL financial recovery programme is focused on ensuring that the commissioning organisations within the NWL STP footprint identify, drive forward and deliver sufficient savings to ensure delivery of the required control totals. Risk share options were discussed as part of the NWL Financial Strategy presentation to the Hammersmith & Fulham Governing Body seminar meeting in February 2018.
- 3.2. The current financial savings total is £142m across NWL, delivered through a combination of local and system-wide schemes. Savings plans are aligned to the delivery areas of the STP.
- 3.3. There is a comprehensive governance arrangement in place with senior executive support and a central programme management office, continuing to scrutinise the schemes and ensure delivery through forums specifically arranged to oversee this process.
- 3.4. Projects are being developed and scrutinised by the QIPP Leads Steering Group for sign off by the NWL Financial Recovery Group.
- 3.5. Additional opportunities are continuing to be identified to allow for delivery risk.

## **4. Hammersmith & Fulham CCG Summary Plan Overview**

- 4.1. The starting 2018/19 resource limit for H&F CCG is £299.2m, including £28.8m for delegated commissioning.
- 4.2. Budgets have been drafted to deliver a 'normalised' £1.2m in year deficit, but this is subject to pressures arising in relation to GP at Hand as noted below.
- 4.3. The QIPP (Quality, Innovation, Productivity and Prevention) plan incorporated into that position is a target of £18m which is 6% of total income.
- 4.4. Cost pressures arising from GP at Hand have been estimated at c£18m, of which c£4m relates to patients re-registering from within NWL and c£14m from beyond NWL.
- 4.5. The 2018/19 plan includes the net £14m (£18m less £4m) as a cost pressure within the plan for H&F CCG, and it is anticipated that the £4m of intra-NWL pressure will be mitigated within NWL.
- 4.6. It is forecast that the accumulated/historic carry forward surplus will be £5.1m entering 2018/19; accordingly the draft plan will deliver a deficit carried forward from 2018/19 of £10.1m.
- 4.7. The CCG received an uplift of £2.069m (0.8%) in 2018/19, a relatively low uplift reflecting the national move towards fair shares capitated budgets.
- 4.8. The current plan maintains the 1% contribution to NWL Financial Strategy which is £2.7m.
- 4.9. The CCG is planning for growth in the majority of contracts in line with NHS England expectations. The acute uplift is relatively high reflecting the expected 2017/18 outturn position and continued elective backlog clearance at the Imperial NHS Trust.
- 4.10. The most significant risk to the plan will be final contact position of our major acute, community and mental health providers.
- 4.11. The management cost limit has reduced in real terms in 2018/19 and will be delivered through a programme of structure review, reducing the number of interims and contractors and seeking to share posts across CCGs were possible.

## **5. GP at Hand**

- 5.1. Under usual circumstances there are no mechanisms through which allocations would normally be subject to in year adjustment.
- 5.2. Allocations are driven by a consistent formula which aims to ensure that over time all CCGs receive an appropriate level of funding for their registered populations.
- 5.3. CCGs whose allocations are above or below the result of the formula are seen as being above/below capitation, and have a positive or negative 'Distance From Target' (DFT).
- 5.4. Where a CCG has a positive DFT its allocations will grow at a lower rate until such time as it is funded appropriately on a per capita basis.
- 5.5. Registrations driven by GP at Hand are generating significant incremental financial pressures which H&F CCG cannot absorb from within its normal allocations.

- 5.6. The impact of the registrations driven by GP at Hand can be seen in the following table :-

	<b>Core Allocation</b>	<b>Delegated Budget</b>
Planned DFT	+4.2%	-3.0%
Draft Plan DFT	-13.4%	-21.9%

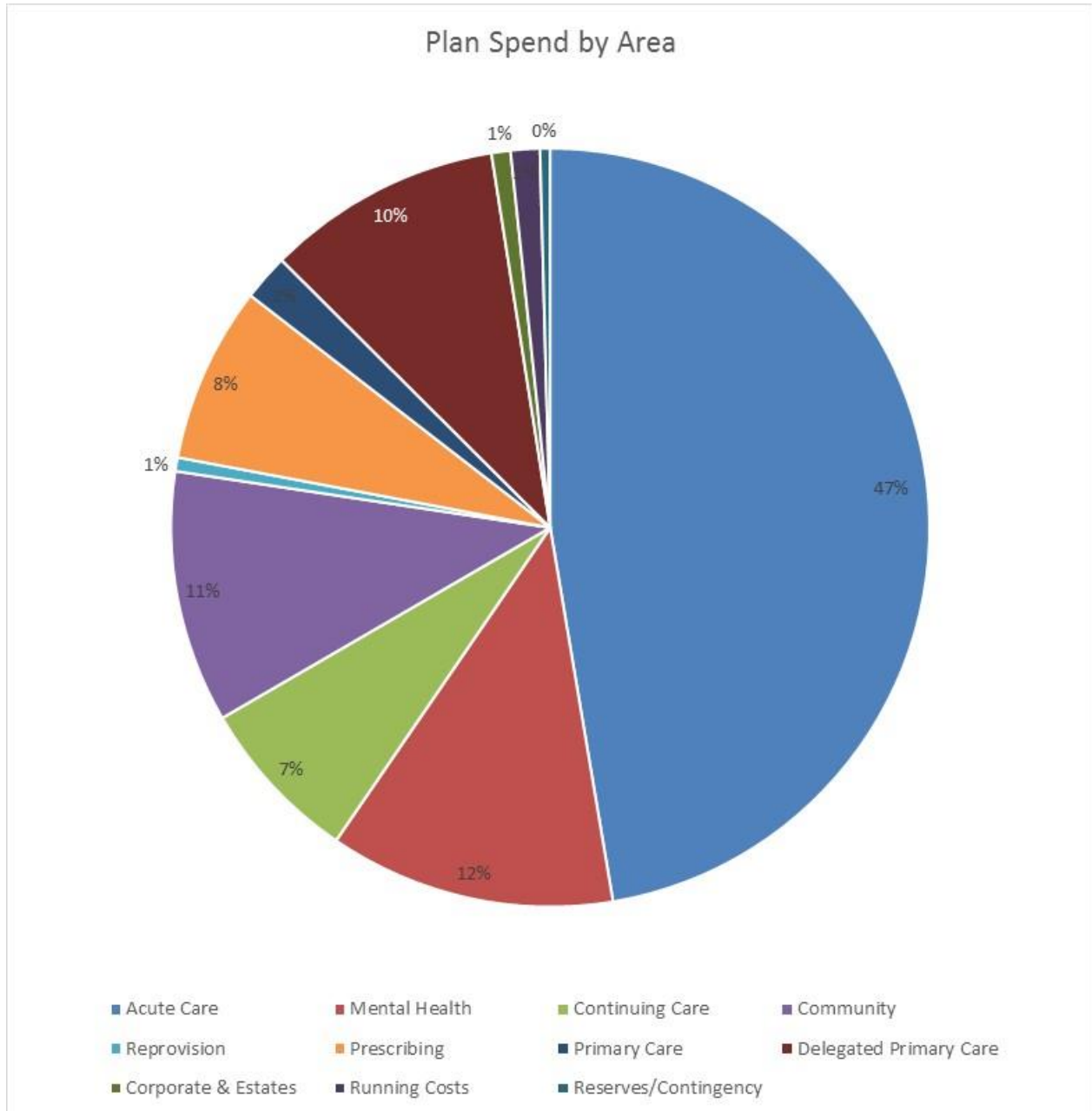
- 5.7. The above table shows the planned DFT for H&F CCG as expected when allocations were announced; compared with the position anticipated within the draft plan.
- 5.8. Senior executives are continuing to engage with NHSE regarding the nature and scale of issues arising, and a mechanism will need to be found to offset the pressures arising from the registrations which are not from within NWL.

## 6. Hammersmith & Fulham CCG draft budgets

- 6.1. The CCG had an initial round of budget setting discussions with budget holders in January 2018 using a re-basing approach, allowing for non-recurrent items.
- 6.2. A second round of budget setting meetings is ongoing with budget holders.
- 6.3. The QIPP (Quality, Innovation, Productivity and Prevention) is set at an initial £18m which is 6% of total income. To date £10m has been identified, with a further £8m to be identified.
- 6.4. No new investments are planned in 2018/19 other than invest to save schemes.
- 6.5. The most significant remaining risk to budgets is the potential change in final contracts negotiated with major service providers.
- 6.6. The table below summarises the budgets currently planned for 2018/19 :-

<b>£'000's</b>	<b>FOT 17/18</b>	<b>Draft Plan</b>	<b>Change</b>	<b>Notes</b>
<b>RRL</b>				
In Year Core RRL	262,504	268,055	2%	
Delegated Primary Care	27,245	28,812	6%	
<b>Total In Year</b>	<b>289,749</b>	<b>296,867</b>	<b>2%</b>	
<b>Program Costs</b>				
Acute Care	143,932	147,779	3%	£5.7m GP@H
Mental Health	36,527	38,072	4%	£1.2m GP@H
Continuing Care	22,332	22,085	(1%)	Incl BCF/QIPP
Community	31,839	33,566	5%	£1.1m GP@H
Reprovision	1,565	1,828	17%	
Prescribing	21,418	23,478	10%	£3.5m GP@H
Primary Care	5,942	6,173	4%	
Delegated Primary Care	26,327	31,362	19%	£2.6m GP@H
Corporate & Estates	3,137	2,532	(19%)	
Running Costs	3,876	3,861	(0%)	
Reserves/Contingency	(6,935)	1,351	(119%)	NR Support in 17/18
<b>Total Expenditure</b>	<b>289,961</b>	<b>312,089</b>	<b>8%</b>	
<b>In Year Deficit</b>	<b>(212)</b>	<b>(15,222)</b>		

6.7. The following chart provides an overview of the allocation spend by category:-



## 7. Approval – The Governing Body is asked to:

- Approve the initial high level budget for 2018/19 in pursuit of delivery of our objectives and to note that a detailed budget, following conclusion of the contracting round, consideration of financial risk management arrangements, and engagement externally regarding GP at Hand will be brought back to the Governing Body meeting in May.

- Note that, until we agree the final budgets, no new investments will be made other than those decreed by the Accountable Officer to be 'invest to save' investments.
- Consider confirming that the CCG is voluntarily entering a state of recovery and that it will take further steps to underpin its financial sustainability.