

Hammersmith & Fulham CCG F&P Committee Paper – Risk Share and Shared Costs

1. Introduction

Hammersmith & Fulham CCG operates in a formal collaborative (CWHHE) with four other CCGs (Hounslow, Central London, West London and Ealing) as part of a wider collaboration with the other three CCGs in North West London (Brent, Harrow and Hillingdon). Part of the agreement between the five CWHHE CCGs is to share financial risk across the CCGs. This enables the five organisations to use their greater combined size to manage risk.

The risk share principles were agreed by the four other CCGs in June 2013 and agreed by Ealing CCG on joining the collaborative in November 2013. The principles of the risk share for 2014-15 year end were further agreed by the Ealing Governing Body in March and July 2015. The principles are given below:

- a. **Acute over-performance:** Where acute over-performance cannot be managed within individual CCG reserves, it would be suitable for risk share. This would normally be over-performance in excess of 2% in aggregate.
- b. **Long-term Ventilation:** To pool costs across CCGs for long-term ventilation costs, based on a three year rolling average.
- c. **High cost, low volume activity:** This would include critical care, continuing care, high cost mental health patients, complex children and other individual high-cost episodic care.
- d. **Wider System Risks:** Items which could not reasonably have been predicted and which were not budgeted for by CCGs (for example the LAS cost pressure in 2014-15).
- e. **Legacy Issues relating to PCT Disaggregation:** Items relating to disaggregation. This includes issues around NHS Property Services, Public Health and Local Authority or NHS England commissioned services.

It has also been agreed that these items are to be applied at the discretion of individual CCGs and on an affordability basis.

This paper seeks to

- a. Update the F&P Committee on the forecast application of the Risk Share as at Month Ten
- b. Update the F&P Committee on the areas potentially expected to change for Year End
- c. Obtain approval to delegate to the CFO agreement of the final application of the Risk Share at year end based on affordability across CCGs

2. Risk Share 2015-16, Month Ten

The biggest area of over-spend in 2015-16 has been acute over-performance. The risk-share applies where this exceeds 2% in aggregate. As at month 10, the forecast over-performance was taken and equalised across the CCGs. The impact of this is given in the table below:

CommissionerName	Annual Plan Cost £	Mitigated Forecast £	Forecast Variance £	% Contract Over-Performance	Proportionate Over-performance £	Risk Share Value £
NHS CENTRAL LONDON (WESTMINSTER) CCG	107,764,850	117,659,801	-9,894,951	-9.2%	-4,957,564	-4,937,387
NHS EALING CCG	229,014,962	235,961,318	-6,946,356	-3.0%	-10,535,497	3,589,141
NHS HAMMERSMITH AND FULHAM CCG	112,896,846	122,358,210	-9,461,364	-8.4%	-5,193,654	-4,267,710
NHS HOUNSLOW CCG	162,666,552	166,226,522	-3,559,970	-2.2%	-7,483,236	3,923,266
NHS WEST LONDON (K&C & QPP) CCG	130,171,990	134,467,671	-4,295,681	-3.3%	-5,988,371	1,692,690
Grand Total	742,515,200	776,673,521	-34,158,321	-4.6%		0

Table One: Risk Share Applied M10 2015-16 FOT

This saw H&F and Central benefitting and the other three CCGs contributing. Note that on an affordability basis, West London has a number of reserves and investment funds which may not be required so would be able to contribute a higher amount on that basis.

Note that the values above relate to contracted spend only, not including non-contracted activity, reserves, and pass-through payments.

3. Risks and Opportunities 2015-16

Even at this late stage in the year, there are risks to this position, and a number of opportunities. These are summarised below. The risk share will be impacted as these come to fruition (or not). It should be noted that West London CCG has significant net opportunity and so may need to contribute more on an affordability basis.

Month Nine CWHHE R&O Summary						
	Central London	West London	Hammersmith and Fulham	Hounslow	Ealing	CWHHE Total
	£000s	£000s	£000s	£000s	£000s	Value
Acute over-performance	(2,521)	(1,456)	(2,174)	(2,918)	(3,122)	(12,190)
Other CCG risks	(1,520)	(7,336)	(1,117)	(461)	(4,644)	(15,077)
Total CCG level risks	(4,041)	(8,793)	(3,291)	(3,378)	(7,766)	(27,268)
Total CCG level opportunities	1,080	13,702	9,263	7,538	7,260	38,843
Net CCG (risk)/ opportunity	(2,961)	4,910	5,972	4,160	(506)	11,575
Adjustments:						
Acute over-performance Risk Share	3,011	90	(5,922)	(1,820)	4,641	0
Further SaHF commitments	0	0	0	0	0	0
Options for additional investment	0	0	0	(1,300)	0	(1,300)
Shared opportunities	0	0	0	0	0	0
Overall net (risk)/ opportunity	50	5,000	50	1,040	4,135	10,275
Memo - acute over-performance in forecast out-turn (total)						
£000	-10,016	3,984	-6,313	-2,347	-5,219	-19,911

Table Two: Summary Risks & Opportunities, Month 10.

4. Final Application of the Risk Share

The exact application of the risk share cannot be predicted until the final M12 finances are reported. As noted above, there could be some significant movements in the position before then. The Governing Body is asked to allow the CFO to exercise the risk share across the CCGs according to the following principles:

- All CCGs are able to individually make a minimum of their control totals
- That any movements +/- 1% of RRL are agreed with the MD/Chief Officer
- That control totals can only be exceeded (i.e. a higher surplus delivered) if agreed with NHSE on the basis of the ability to drawdown in 2016/17

- That the application of the risk share is non-recurrent and reported clearly to all F&P and Governing Bodies
- That the risk share is based on the already agreed principles listed above.

Should the CFO be unable to satisfy the above criteria then an extraordinary F&P or GB should be required.

5. Conclusions and Recommendations

The F&P Committee is asked to note the forecast application of the risk share in the forecast out-turn, and the potential additional risks and opportunities.

The F&P Committee is asked to make a recommendation to Governing Body to delegate to the CFO the final application of the Risk Share at year end based on affordability across CCGs.

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