

## Hammersmith & Fulham CCG – Draft Annual Budget 2016/17 and Operating Plan 2016/17 to 2020/21

### 1. Introduction

The draft operating plan was submitted on 8<sup>th</sup> February 2016, based on the Financial Planning assumptions discussed at the Finance & Performance committee on 26/01/16. The revised operating plan was submitted on 2<sup>nd</sup> March, building on the first version and following review of this at the Finance & Performance committee on 23/02/16.

The Governing Body is being asked to approve draft budgets, which align to the operating plan 02/03/16. Note that further approvals will be needed in May following agreement of contracts and the five-year STP. The North West London Financial Strategy may also need to be agreed in May.

### 2. Key Assumptions – Five Year Plan

The key assumptions underpinning the five-year plans including the 2016/17 budgets are given below. These are aligned with the Operating Plan submission.

#### i. Forecast Outturn

This was based on the month 09 forecast outturn, which was a net surplus of £9.154m and an underlying position of £4.235m, following adjustments to remove all non recurrent items and capture the full year effects of activity and investments, as per Table 1 below:

	2015/16 Forecast Outturn	Non-recurrent adjustment	2015/16 Recurrent Position	Full Year Effects (-/+)	Opening 2016/17 plan
<b>RRL</b>	264,693	(5,134)	259,559	0	259,559
<b>Programme</b>					
Acute services	132,063	3	132,066	202	132,268
Mental Health services	33,790	(848)	32,942	400	33,342
Community Health Services	31,328	(508)	30,820	192	31,012
Continuing Care services	17,991	(1,249)	16,742	13	16,755
Primary Care services	27,929	(480)	27,449	768	28,217
Other Programme services	8,499	(2,225)	6,273	3,516	9,790
<b>Total - Commissioning services</b>	<b>251,599</b>	<b>(5,307)</b>	<b>246,292</b>	<b>5,091</b>	<b>251,383</b>
Contingency	0	0	0	0	0
<b>Running Costs</b>	<b>3,941</b>	<b>0</b>	<b>3,941</b>	<b>0</b>	<b>3,941</b>
<b>Total Application of Funds</b>	<b>255,539</b>	<b>(5,307)</b>	<b>250,233</b>	<b>5,091</b>	<b>255,324</b>
<b>Surplus/(Deficit)</b>	<b>9,154</b>	<b>173</b>	<b>9,326</b>	<b>(5,091)</b>	<b>4,235</b>

Table 1: Forecast Outturn 2015/16 and Underlying Position

The **acute** services position incorporates the significant overperformance forecast at month 09. The non recurrent adjustment is only £3k but this is a net figure and reflects the removal of the £0.712m RTT activity assumed to be non recurrent, the £0.266m winter pressures cost pressure from the opening of the Marjorie Warren ward, both offset by the increase in contract values due to the removal of metrics.

Both **mental health** and **community services** main contracts have pilots and other non recurrent elements which have been adjusted.

The **continuing care** adjustment relates to the removal of the contribution to the national risk share for 2015/16.

The **primary care** reduction includes £0.245m transformation funding from S&T and the full year effect adjusts for the slippage in OOHS in 2015/16.

**Other programme services** includes £0.527m GP IT spend which is treated as non recurrent and other non recurrent investments made in year, including £1.476m of S&T funds to support provider transition and WSIC.

ii. Allocations and Distance from Target

The CCG has been awarded an allocation of £259m for 2016/17. This is reported as an increase of 1.39% for population growth, or flat cash in real terms. However, after adjusting for items included in this which are not growth, it equates to a real term reduction in core CCG funding. The reported CCG core allocations over the next five years are given in Table 3 below.

CCG	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Allocation £'000s	255,619	259,170	260,917	263,664	267,262	275,602
Allocation per capita £		1,231	1,235	1,244	1,257	1,292
Growth		1.4%	0.7%	1.1%	1.4%	3.1%
Per capita growth		1.1%	0.4%	0.7%	1.0%	2.8%
Target £'000s		239,555	243,713	247,919	252,473	261,318
Target per capita £		1,138	1,154	1,170	1,187	1,225
Opening DFT		11.1%	8.9%	7.8%	7.1%	6.6%
Closing DFT	10.3%	8.2%	7.1%	6.4%	5.9%	5.5%

Table 2: Published Allocations, H&F CCG Core Commissioned Services

The NHSE policy approach on allocations includes an accelerated pace of change to bring allocations within 5% of Distance from Target (DFT), and introduces the concept of Total Place funding, bringing together CCG core services, Primary Care Medical Services and Specialised Services all into a single allocation against which distance from target is measured. An allocation within 5% (over or under target) is deemed to be reasonable and within appropriate statistical boundaries to conclude that a CCG area is appropriately funded to meet health need.

NHSE have adopted an allocation approach which particularly targets those areas outside of the plus or minus 5% boundary across all allocations. This means that in 2016/17:

- CCGs are no more than 5% under target for CCG commissioned services;
- all CCG areas are no more than 5% under target for the total commissioning streams for their population; and

- a three year transition to a similar position for primary medical care allocations is achieved.

Table 4 below shows how NHSE's accelerated approach applies to the concept of Total Place funding for H&F CCG. The 5 year allocation plan provides for real term growth above population growth, achieving a reduction of DFT to 3.8% by 2020/21. This presents a significant challenge to the CCG for core commissioned services, and the design of transformational programmes that ensure financial sustainability will need to take account of the Total Place approach to allocations.

CCG	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Allocation £'000s	334,830	344,046	350,782	357,669	365,087	377,713
Allocation per capita £		1,634	1,661	1,687	1,717	1,770
Growth		2.8%	2.0%	2.0%	2.1%	3.5%
Per capita growth		2.4%	1.6%	1.6%	1.7%	3.1%
Target £'000s		327,593	335,146	342,746	350,832	363,963
Target per capita £		1,556	1,587	1,617	1,650	1,706
Opening DFT		7.1%	5.8%	5.4%	5.1%	4.8%
Closing DFT	6.3%	5.0%	4.7%	4.4%	4.1%	3.8%

Table 3: Published Allocations, H&F CCG Total Place.

### iii. Business Rules

The published NHSE Business Rules for 2016/17 include the following:

- A minimum of 1% net surplus has been planned
- At least 0.5% is set aside as contingency
- At least 1% is to be used non-recurrently and not committed

The initial operating plan met the business rules, with a 1% surplus planned, a 1% contingency held and non recurrent funds identified, although committed to the NWL Financial Strategy under Part A.

Further guidance has been released and HM Treasury has stipulated the 1% non-recurrent spend should be fully uncommitted at the start of the financial year and approval for spending the monies during the year will be subject to approval by HM Treasury. This is to create additional headroom to mitigate financial risk across the wider system, and help to provide financial stability within each transformation footprint.

In order to meet this requirement, the initial operating plan has been amended to create an additional 1% non recurrent headroom. This has been partially absorbed through reducing the contingency fund to 0.5% but has resulted in a reduction in the planned surplus of 0.5%, moving from 1% to 0.5%.

### iv. Surplus and Drawdown

Within the plan, H&F CCG's 2015/16 surplus of £9.154m is assumed to be available in full for drawdown in 2016/17. The planned surplus for 2016/17 is now £1.361m or 0.5%. This means that the difference between the 2015/16 surplus drawn down and the 2016/17 surplus planned (£7.792m) is non-recurrent funding used to support the 2016/17 plan and has yet to be agreed by NHSE.

### v. Provider Inflation and Efficiency

There is variation in the level of net provider inflator. It appears that

- For “DTR” trusts, there is a higher pressure as CQUINs are re-instated
- For PbR services, there is approximately a 1.8% net pressure to CCGs after taking into account changes in individual tariffs (largely to reimburse additional CNST costs in maternity and other specialties where this is an issue)
- For non-PbR services, the “published” rates of 1.1% (3.1% inflation less 2% efficiency) apply.

vi. Growth – Demographic and Non-Demographic

The demographic growths rates for H&F CCG are:

2016-17	2017-18	2018-19	2019-20	2020-21
1.2%	1.1%	1.1%	1.0%	0.7%

The non-demographic growth rates have been calculated as follows. This aggregates to a weighted average of 2.0%.

- **Community:** driven by increase in the 65+ population
- **Mental Health:** Prevalence of working-age adult mental health conditions is not increasing so no non-demographic increase has been factored in. For dementia, the proportion of over 65’s with dementia is projected to remain the same so again this is varied by the projected increases per the ONS in this age group by borough.
- **Acute:** A snapshot of growth by Point of Delivery in 2014-15, grossed up for QIPP achievement, has been taken. This has been smoothed out by taking a combined approach for the tri borough and outlying growth figures have been reverted to the CWHHE average so as not to skew results (as this is only based on one year’s worth of data).

The detailed uplifts by area have been reviewed at the Finance & Performance committee..

vii. QIPP

The overall QIPP requirement for 2016/17 has been set at the level required to deliver a 1% surplus. This means the CCG has a target net saving of £7.799m, equivalent to 2.9% of RRL, and above the target set for 2015/16. This presents a significant challenge for the CC in 2016/17 and progress is discussed in section 6 of the report. The table below shows the QIPP targets for the five year period.

viii. Investment

QIPP investment in 2016/17 is planned to be £3.265m, of which £1.242m has been assigned to individual schemes. Over the five years, QIPP investment has been planned for as follows:

£'000s	2016/17	2017/18	2018/19	2019/20	2020/21
Gross QIPP saving	11,063	11,057	10,964	9,119	5,774
<b>QIPP investment</b>	<b>3,264</b>	<b>3,722</b>	<b>3,674</b>	<b>3,236</b>	<b>1,970</b>
Net QIPP saving	7,799	7,336	7,291	5,883	3,804
% of RRL	2.9%	2.8%	2.7%	2.1%	1.3%

Table 4: QIPP investment

In addition, a £1.017m recurrent and £1.196m non recurrent investment fund has been included, the current commitments against these funds are shown below:

£'000s	Recurrent	Non rec	Total
Investment fund	1,017	1,196	2,213
Investment scheme	Recurrent	Non rec	Total
Neuro rehab procurement	684		684
PMS review (tbc)	333		333
CVS grant and Sobus fee		120	120
CAMHS school pilot		50	50
Diabetes psychological medicine service		114	114
CLCH nursing home pilot		118	118
London Health Programmes contribution		389	389
WLMHT perinatal		97	97
CAMHS out of hours service		75	75
CLCH homeless health		67	67
<b>Total investment</b>	<b>1,017</b>	<b>1,030</b>	<b>2,047</b>
<b>Remaining funds</b>	<b>0</b>	<b>166</b>	<b>166</b>

Table 5: Investments in 2016/17

There is no other investment funding available in 2016/17 under the current planning assumptions.

ix. Other Pressures

In addition to investments and other items listed above, the following cost pressures have currently been assumed:

- Eating disorder and Future in Mind recurrent programmes £0.353m no longer funded through additional allocation from NHS England
- GP IT non recurrent £0.527m
- CHC national risk pool contribution 16/17 non recurrent £0.499m

### 3. Operating plan 2016/17 – 2020/21

Using the forecast outturn and planning assumptions described above, the five year plan for H&F CCG submitted to NHS England on 2<sup>nd</sup> March is as follows:

Revenue Resource Limit						
£ 000	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Recurrent	259,559	263,055	264,789	267,525	271,111	279,439
Non-Recurrent	5,260	9,153	1,361	2,663	2,704	2,742
Total	264,819	272,208	266,150	270,188	273,815	282,181
<b>Income and Expenditure</b>						
Acute	132,051	131,774	128,453	125,085	122,371	121,850
Mental Health	33,790	34,510	34,091	33,963	33,845	33,840
Community	31,328	32,873	35,954	41,197	45,934	52,905
Continuing Care	17,991	17,071	17,131	17,198	17,306	17,522
Primary Care	27,929	29,294	30,111	30,953	32,505	34,055
Other Programme	8,637	20,079	12,544	12,544	12,544	12,544
Primary Care Co-Commissioning	-	-	-	-	-	-
<b>Total Programme Costs</b>	<b>251,725</b>	<b>265,601</b>	<b>258,285</b>	<b>260,940</b>	<b>264,506</b>	<b>272,716</b>
Running Costs	3,941	3,885	3,872	3,861	3,849	3,837
Contingency	-	1,361	1,331	2,682	2,718	2,801
<b>Total Costs</b>	<b>255,666</b>	<b>270,847</b>	<b>263,488</b>	<b>267,483</b>	<b>271,073</b>	<b>279,354</b>
<b>£ 000</b>						
Surplus/(Deficit) In-Year Movement	(4,022)	(7,792)	1,301	42	38	85
Surplus/(Deficit) Cumulative	9,153	1,361	2,663	2,704	2,742	2,827
Surplus/(Deficit) %	3.5%	0.5%	1.0%	1.0%	1.0%	1.0%
Surplus (RAG)	GREEN	AMBER	GREEN	GREEN	GREEN	GREEN
<b>Net Risk/Headroom</b>						
Risk Adjusted Surplus/(Deficit) Cumulative		8				
Risk Adjusted Surplus/(Deficit) %		1,369				
Risk Adjusted Surplus/(Deficit) (RAG)		0.5%				
		AMBER				
Underlying position - Surplus/ (Deficit) Cumulative	4,235	5,811	7,914	7,960	7,992	8,123
Underlying position - Surplus/ (Deficit) %	1.6%	2.2%	3.0%	3.0%	2.9%	2.9%
Contingency	-	1,361	1,331	2,682	2,718	2,801
Contingency %	0.0%	0.5%	0.5%	1.0%	1.0%	1.0%
Contingency (RAG)		GREEN	GREEN	GREEN	GREEN	GREEN
Notified Running Cost Allocation + Quality Premium	4,407	3,885	3,872	3,861	3,849	3,837
Running Cost	3,941	3,885	3,872	3,861	3,849	3,837
Under / (Overspend)	466	0	0	0	0	0
Running Costs (RAG)	GREEN	GREEN	GREEN	GREEN	GREEN	GREEN
Population Size (000)	201	176	177	177	178	179
Spend per head (£)	19.61	22.07	21.91	21.75	21.60	21.45

Table 6: Summary five year plan – extract from NHSE financial template

#### 4. Detailed Budgets 2016/17

There are a total of 26 budget holders in H&F CCG. Each budget has been individually assessed and the budget holder has been asked to sign off their budget. Finance have met with each budgetholder and initial reviews have been completed. Detailed budgets are maintained within the control total set by the operating plan.

Meetings with the Managing Director and Deputy MDs have taken place to review the budgets prior to this request for approval at Governing Body.

Clearly there are a number of key elements of the plan which are not yet resolved, primarily:

- There remains a significant QIPP gap

- The Section 75 proposal and the BCF plan for 2016/17 have not yet been finalised
- Contracts have not been agreed with providers
- The NWL Financial Strategy is not yet agreed

Therefore budgets will need to remain draft until these items are resolved.

However the Governing Body are provided with the full detail of each cost centre budget bridge in **Appendix A** for review.

Work is on-going on budget holder engagement to ensure that budget holders fully understand and “own” their budgets. This will continue throughout 2016/17 and meetings will be held with each budgetholder to provide monitoring information and support to address overspends and plan recovery action where required.

## 5. Risks and Mitigations

The following risks and mitigations have been identified at this stage in the planning process:

Risks	Full Risk Value £'000	Probability of risk being realised %	Potential Risk Value £'000	Proportion of Total %	Commentary
CCGs					
Acute SLAs	3,638	25.0%	909	31.3%	PbR contract overperformance (3%)
Community SLAs	300	10.0%	30	1.0%	S75 older people placement growth
Mental Health SLAs	600	20.0%	120	4.1%	LD client number growth
Continuing Care SLAs			-	0.0%	
QIPP Under-Delivery	3,371	50.0%	1,686	58.0%	QIPP programme not yet finalised
Performance Issues			-	0.0%	
Primary Care			-	0.0%	
Prescribing			-	0.0%	
Running Costs			-	0.0%	
BCF	1,062	15.0%	159	5.5%	LA raising significant cost pressures around homecare packages and 7 day working
Other Risks			-	0.0%	
<b>TOTAL RISKS</b>	<b>8,971</b>	<b>32%</b>	<b>2,904</b>	<b>100.0%</b>	
Mitigations	Full Mitigation Value £'000	Probability of success of mitigating action %	Expected Mitigation Value £'000	Proportion of Total %	Commentary
Uncommitted Funds (Excl 1% Headroom)					
Contingency Held	1,361	75.0%	1,021	35.1%	Uncommitted
Reserves	1,000	25.0%	250	8.6%	Non-demographic growth
Investments Uncommitted	333	50.0%	167	5.7%	Investment programme not yet finalised - PMS review
<b>Uncommitted Funds Sub-Total</b>	<b>2,694</b>	<b>53%</b>	<b>1,437</b>	<b>49.4%</b>	
Actions to Implement					
Further QIPP Extensions	1,000	50.0%	500	17.2%	H&F CCG Estates Strategy
Non-Recurrent Measures	1,300	75.0%	975	33.5%	
Delay/ Reduce Investment Plans			-	0.0%	
Mitigations relying on potential funding	-		-	0.0%	Complete in section below - row 41
<b>Actions to Implement Sub-Total</b>	<b>2,300</b>	<b>64.1%</b>	<b>1,475</b>	<b>50.6%</b>	
<b>TOTAL MITIGATION</b>	<b>4,994</b>	<b>58.3%</b>	<b>2,912</b>	<b>100.0%</b>	
<b>NET RISK / HEADROOM</b>	<b>(3,976)</b>	<b>-0.2%</b>	<b>8</b>		

Table 7: Risks and mitigations – extract from NHSE financial template

## 6. QIPP Planning

The QIPP programme for 2016/17 is still being finalised. Currently £4.657m or 59.7% has been identified, shown in the following table. This leaves a further £3.142m to find which is a challenge given schemes may require some lead in time and may therefore not deliver the full savings potential during 2016/17. Further schemes will need to be developed to ensure sufficient headroom to deliver the required savings target.

ID	Scheme	CCG Lead	Gross savings	Investment	Net savings
HF01	Model of Care- Older Adults (NEL)	Toby Hyde	386	0	386
HF01a	Model of Care- Older Adults (A&E)	Toby Hyde	13	0	13
HF02	Community Gynaecology	Jessica Simpson	380	93	287
HF03	Community Ophthalmology	Kathryn Hodgson	780	160	620
HF04a- HF04d	Out of Hospital Services	Joe Gale / Sophie Ruiz	184	0	184
HF05	Community MSK Service	Jessica Simpson	325	0	325
HF06	Community Cardio-respiratory Service	Jenn Goddard	1,334	990	344
HF07	Medicine management	Valentina Covery	800	0	800
HF08	Community contract efficiencies	CL CCG	1,700	0	1,700
<b>Total</b>			<b>5,902</b>	<b>1,243</b>	<b>4,659</b>
<b>QIPP Target</b>			<b>11,063</b>	<b>3,264</b>	<b>7,799</b>
<b>Unidentified QIPP</b>			<b>-5,161</b>	<b>-2,021</b>	<b>-3,140</b>

Table 8: QIPP planning 02 March 16

Work continues to finalise the programme, in conjunction with CWHHE CCGs. Areas being explored further are planned care, the Right Care programme and Last Phase of Life to identify potential opportunities.

## 7. Contracts

Agreeing contracts into 2016/17 is likely to be extremely challenging given the providers' financial positions and the QIPP challenge facing the CCG. The CCG is following an open book approach with Imperial College Healthcare Trust, the CCG's main provider, and detailed activity and planning assumptions have been shared, and affordability positions compared. A similar approach is to be undertaken for the Chelsea & Westminster contract, led by West London CCG. With the impending merger of Chelsea & Westminster and West Middlesex from 1st April 2016 the movement to a combined Market Forces Factor (MFF) will result in a benefit to NWL CCGs, however, this may be subject to transitional arrangements. An update on the overall contract position for the CCG will be provided to the March Finance & Performance Committee.

Due to the application of QIPP being primarily in the acute sector, acute expenditure is planned to fall in 2016/17. The level of QIPP required by the CCG is significant and may require challenging reductions in both Community and Mental Health spend, the latter could impact the Parity of Esteem requirement.

## 8. North West London Financial Strategy

The NWL Financial Strategy contributions have not been agreed at the time of preparation of the budgets and operating plan. A planning assumption has been used of £1m contribution for the recurrent Part C element, which represents a reduction of £2.499m from 2015/16. For the non-recurrent Part A element, it is planned that the CCG contributes 2.5% of allocation, in 2016/17 which reduces to 2% from 2017/18. This is a planning assumption pending further discussion and agreement. As the distance from target of under-capitated CCGs has reduced, it is appropriate for contributions from over-capitated CCGs to reduce, particularly given the financial challenge facing the CCG. However the exact values are still to be determined.

## 9. CWHHE Position and Risk Share



It is proposed that the mechanism to share risk as agreed when the collaborative was first formed continues into 2016/17. However, it is unlikely the same level of non recurrent support will be available next year given the tighter financial positions across CWHHE. It is vital the CCG operates within the approved budgets and manages any in-year variation.

## 10. Bridge and Underlying Position

The table below and waterfall diagram show the movements from the 2015/16 forecast outturn to the 2016/17 plan and annual budget. The planning assumptions for the NWL Financial Strategy will strengthen the underlying position as the CCG exits 2016/17 with a further benefit in 2017/18.

£'000s	ACUTE EXP	NON-ACUTE EXP	TOTAL EXP	INCOME	SURPLUS	SURPLUS %
15/16 OUTTURN	132,064	123,477	255,540	264,693	9,153	
NR ADJ	3	(5,310)	(5,307)	(5,134)	173	
<b>15/16 RECURRENT</b>	<b>132,067</b>	<b>118,167</b>	<b>250,234</b>	<b>259,559</b>	<b>9,325</b>	<b>3.6%</b>
FYE	202	4,889	5,091	0	(5,091)	
INCREASE IN RECURRENT ALLOCATION	0	0	0	3,496	3,496	
PROVIDER INFLATION	4,886	1,995	6,881	0	(6,881)	
PROVIDER EFFICIENCY	(2,641)	(1,287)	(3,928)	0	3,928	
DEMOGRAPHIC GROWTH	1,585	1,312	2,897	0	(2,897)	
NON-DEMO GROWTH	3,114	1,934	5,049	0	(5,049)	
RECURRENT COST PRESSURES	0	(2,195)	(2,195)	0	2,195	
GROSS QIPP	(7,438)	(3,625)	(11,063)	0	11,063	
QIPP INVESTMENT	0	3,265	3,265	0	(3,265)	
OTHER RECURRENT INVESTMENTS	0	1,017	1,017	0	(1,017)	
<b>16/17 RECURRENT POSITION</b>	<b>131,775</b>	<b>125,471</b>	<b>257,246</b>	<b>263,055</b>	<b>5,809</b>	<b>2.3%</b>
NON-REC ALLOCATION	0	0	0	9,153	9,153	
NR COST PRESSURES	0	2,675	2,675	0	(2,675)	
NR INVESTMENTS	0	10,925	10,925	0	(10,925)	
<b>16/17 NET POSITION</b>	<b>131,775</b>	<b>139,072</b>	<b>270,847</b>	<b>272,208</b>	<b>1,361</b>	<b>0.5%</b>

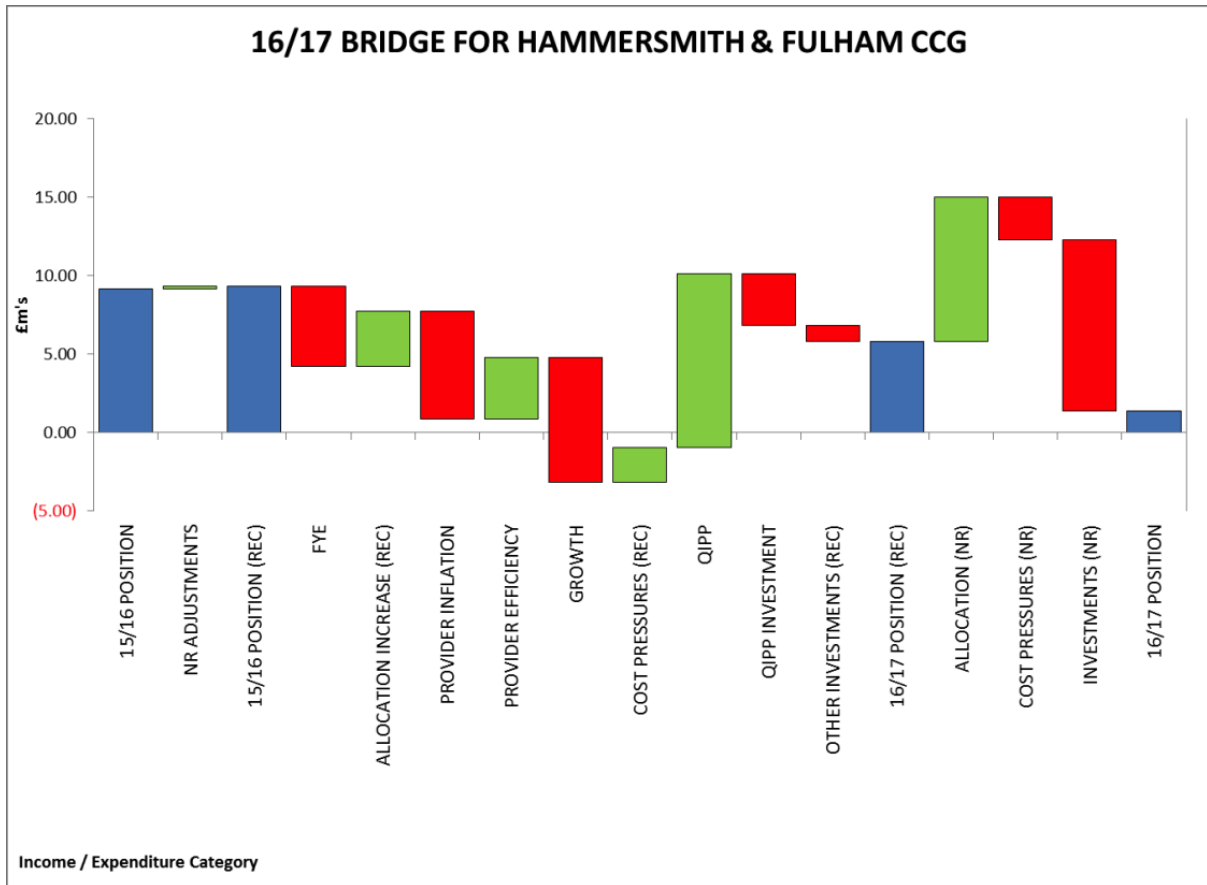


Table 9: 2016/17 Plan and Waterfall diagram

## 11. Running and Corporate Costs

During 2015/16 a disaggregation exercise has been undertaken to appropriately report the shared element of running costs across BHH and CWHHE. This will form the basis of the budgets for 2016/17. Inflationary pressures will need to be managed within the overall quantum so this may mean a reduction in headcount or other areas of spend.

The CCG's own Running Costs allocation is reducing by £55k to £3,885k. In addition to this, the following cost pressures have been identified:

- Support to the Out of Hospital contracts £99k

The reserves held in 2015/16 were as follows:

- Running Costs Reserve: £120k
- CSS Budgetary Reserve: £55k

In addition to this, there is £31k budget available to support agency premium in respect of sick leave, maternity etc.

These reserves will be retained, with cost pressures including inflationary pressures managed through savings. The detailed running costs analysis will be discussed at Finance & Performance Committee.

## **12. Conclusions and Next Steps**

To ensure the CCG has a budget to operate within and commit expenditure against from 1 April 2016, the Governing Body is asked to approve the draft budget presented for 2016/17 but to note this is draft pending the resolution of a number of aspects of the financial plan.

A revised budget will be brought to the Governing Body in May, updating for BCF, signed contracts and the final position on NWL Financial Strategy contributions.