NHS
Rotherham
Clinical Commissioning Group

GOVERNING BODY - Weds 6th April 2016

Financial Plan 2016/17

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Title:	**Lead GP (Finance)**	**Title:**	**Chief Finance Officer**

1. Introduction

The purpose of this paper is to provide a final proposal of the financial strategy for Governing Body Members to agree. There are likely to be some minor changes between headings as the contract negotiations are concluded.

2. Submission details

Following approval at Governing Body on the 6th April, the final submissions will be made:

2.1. **11 April 2016** – the final submission requires multiyear plans;

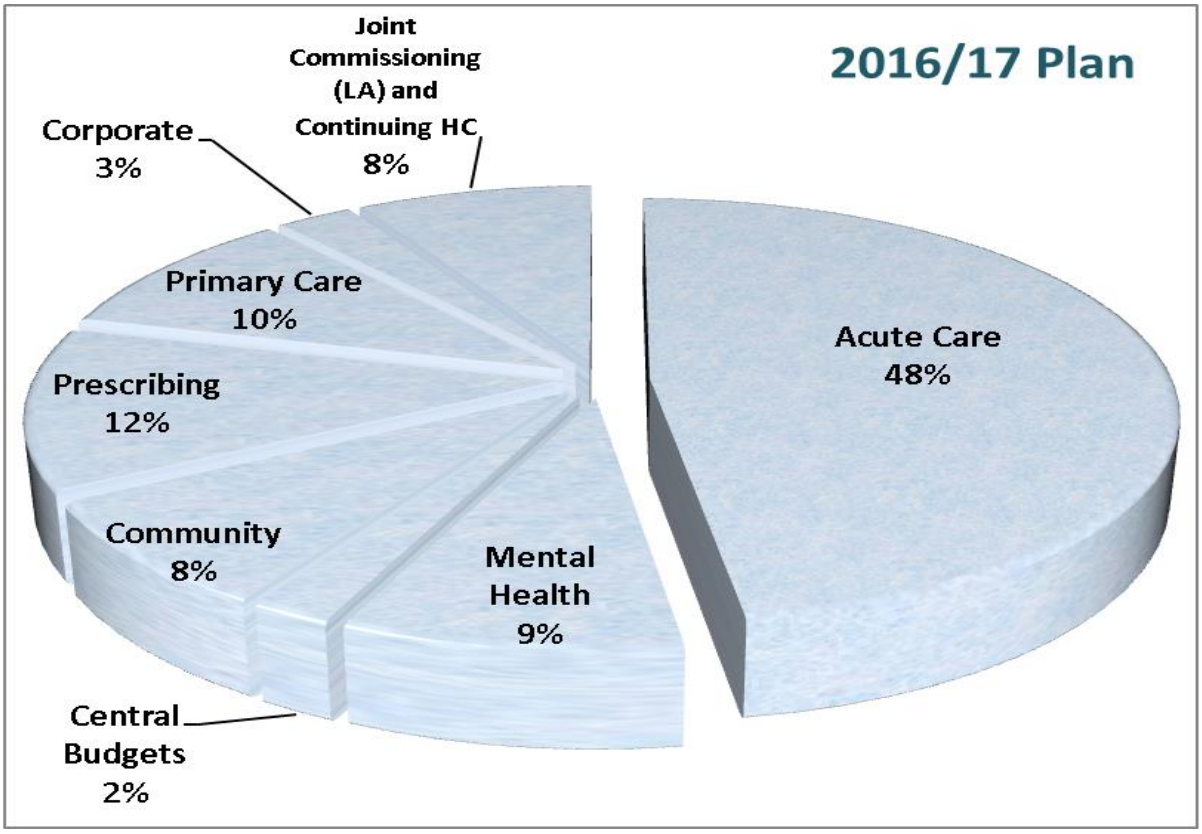
2.2. **Post 11 April 2016** – it is expected that there will be additional organisational plans after this date to support the completion of planned Sustainability and Transformational Plans in June.

3. CCG financial obligations - the NHSE planning guidance prescribes the following:

- 1% Operating Surplus — estimated £4m for RCCG
- 1.0% recurrent headroom* — estimated £4m for RCCG
- 0.5% Contingency — estimated £2m for RCCG

*There is an additional requirement ***to hold the 1.0% recurrent headroom (£4m) indefinitely*** with limited detail about the conditions to be satisfied in order for this to be released.

4. Percentage Split of Proposed Financial Plan



5. Rotherham CCG 2016/17 allocation

As reported last month, the allocation for NHSR CCG has been published but it is apparent that additional funds provided last year are now to be funded out of the published allocations.

	2015/16	2016/17	Increase/(Decrease)	
ALLOCATION	**£m**	**£m**	**£m**	**%**
RCCG Programme	345.5	353.2	7.6	2.21%
RCCG Admin (Running Costs)	5.5	5.5	(0.0)	(0.25%)
Primary Care	34.3	35.9	1.6	4.57%
Total	**385.4**	**394.6**	**9.2**	**2.38%**
REQUESTED use of previously banked surpluses	1.7	5.7		
TOTAL ALLOCATION	**387.1**	**400.27**		

6. Risks, Priorities and Cost Pressures 2016/17

There are key areas of risk due to a range of issues including external, national and local pressures. These have been a first call on the growth uplift and additional efficiencies are required.

6.1. **External issues** – Changes to national guidance; prescribing prices or patients shifting from specialised to CCG commissioned services are examples;

6.2. **Internal issues** - The CCG's failure to fully achieve its plans in 2015/16 for reductions in non elective admissions and planned care targets has left the RFT contract under pressure for 2016/17.

6.3. **Priorities** – There are areas of investment which have been prioritised following clinically led discussions and consultation.

7. Achieving financial balance for 2016/17

7.1. There are immediate measures that can be taken but these will be non-recurrent only. However they will contribute to the position whilst allowing time for the strategic approach to reductions to be formulated in a way that is intuitive to the Sustainability and Transformational Plans.

7.2. There are reductions in spend that need speedy action to mobilise and implement any necessary changes eg prescribing waste management and clinical thresholds.

7.3. Finally the plan will include assumptions to be negotiated with RFT around assumed reductions for outturn in areas such as Non Electives and Follow ups.

	Funds Required	£m	Source of Funds	£m	
Commitments from prior year including nationally funded schemes now coming from CCG's 16/17 allocation uplift	15/16 Outturn Planned and Emergency Care	3.3	Allocation Growth - Less £0.4m FOR 1% surplus - Primary Care	8.8	
	15/16 Outturn Prescribing	1.3	Corporate QIPP	0.3	
	ETO	0.8	Casemix and pathways QIPP	1.3	
	GP IT	0.6	Follow ups QIPP	0.9	
	2015/16 CAMHs/IAPT	0.5	Reduction in Non Elective Admissions	1.8	
National changes and other external pressures	Tariff Inflation	7.4	Primary Care QIPP	0.1	**14.3**
	Specialised LD	0.3	Mental Health QIPP	0.9	
	Continuing Health Care	1.4	Prescribing QIPP	2.6	
	Primary Care	1.2	Continuing Healthcare QIPP	0.5	
Local demographic pressures and Emergency Centre build	2016/17 Mental Health/CAMHs/IAPT	0.4	Unidentified QIPP	1.5	
	Prescribing Inflation, NICE etc	3.3	Tariff efficiency - QIPP built into prices	4.4	
	16/17 Growth & Activity changes	4.3	Assumed Drawdown Emergency Centre	4.0	
	Emergency Centre Build	4.0	Assumed Drawdown - other	1.7	
		28.8	**Total**	**28.8**	

8. RISKS

There are a range of risks to the delivery of the financial plan:

(i) Failure to dampen down growth will create financial pressure – both for the CCG and RFT if costs cannot be reduced as planned. The CCG's QIPP delivery governance structure is well placed to identify where plans are not working and, with the relevant clinicians engaged, governing body members should expect to receive assurance that action can be taken to rectify any problems in year.

(ii) Linked to (i) above, the plans are predicated in part upon Primary Care having the appropriate capacity to deliver the services required in Rotherham. This is already being addressed through the Primary Care Sub Committee's strategy and 2016/17 will be the first in a four year plan to strengthen primary care and ensure that all practices achieve a minimum standard and quality requirement. The risks to capacity are a concern and all practices will submit a mobilisation plan in 2016/17 identifying capacity which will assist in the CCG's understanding of the position.

(iii) Prescribing risks: 2015/16 saw a significant increase in prices and there is nothing to suggest that this is not going to continue. This is exacerbated by shortages in the pharmaceutical supply chain which can occur at any time forcing category M prices to suddenly increase. In addition, NICE guidance may have an adverse effect on cost growth.

(iv) The CCG is planning for higher than average levels of savings – **Appendix B** sets out a plan on a page for the individual areas of savings – it is work in progress and further work is in process particularly with the local providers who will need to sign off the quality impact assessments of their respective plans with Boards early in the financial year. The impact of this level of savings across the wider footprint is expected to be addressed by the local sustainability and transformation plan (STP) and this itself brings more risk as set out in (v) below.

(v) The local STP will need to demonstrate how localities are planning to achieve the required control totals across the patch – not just at organisation level. The consequent risk of not achieving this obligation is likely to be a loss of the national growth fund set aside for 2017/18 plus a possible withholding of the 1% headroom to contribute to South Yorkshire and Bassetlaw issues as a whole.

(vi) Failure to obtain the required 1% (£4m) to fund the second year of the Emergency Centre build from NHSE is a key risk. It is apparent that neither of the CCG's proposed solutions are available in 2016/17 as the business rules have changed regarding the use of the 1% recurrent headroom and previously banked surpluses are not available apart from any 2015/16 surplus over plan (£0.7m for RCCG).

CCG officers are still exploring options to obtain some of the funding from the £10m previously banked by Rotherham but the overall position of the North of England is such that there are no available funds for drawdown. The CCG may continue to assume the expenditure in 2016/17 but this will reduce the 1% surplus to nil thus placing the CCG in a national classification of failing to achieve the business rules with the consequent scrutiny applied by NHSE.

The overall position is extremely challenging for the CCG and there are no reserves to access if there are problems in year. The approach to mitigate this risk will be a further review of each line of expenditure with the appropriate challenge regarding continuing the investment.

In addition there will be a push to accelerate the work around reductions in activity through clinical thresholds which are anticipated to reduce costs from 2017/18 onwards in the plan. Any early traction on these schemes will provide a benefit to the financial position.

9. CONCLUSION AND SUMMARY OF FINANCIAL PLAN

The position for 2016/17 is extremely challenging if the CCG is to deliver the planning objectives and the obligated recurrent requirement of 1% headroom, a 1% operating surplus and 0.5% contingency.

There are significant risks to achieving financial balance in 2016/17 particularly around the contract with Rotherham FT. Whilst the efficiency intentions are logical and clinically justified, the pace at which the FT is able to reduce costs at the required quantum will remain a challenge.

The approach to the 2017/18 plan will need to commence immediately in order to ensure that a robust strategy for the sustainability of the local health system can be achieved.

The table below sets out the details of the proposed plan – all obligations and priorities required are included and the challenging efficiency requirements are also embedded within these figures.

In addition, **Appendix A** sets out the movement by segment from the recurrent outturn position in 2015/16 through to the plan for 2016/17 with columns and further notes for price increases, growth, QIPP and non-recurrent expenditure.

SUMMARY FINANCIAL PLAN FOR AGREEMENT

DETAILED PLAN 2016/17	£m	%
Rotherham NHS Foundation Trust - Acute	137.5	34.3%
Sheffield Teaching Hospital NHS FT	21.6	5.4%
Doncaster & Bassetlaw NHS FT	10.1	2.5%
Ambulance & Patient Transport Services	10.7	2.7%
Other Mental Health	36.1	9.0%
Other Acute	7.8	2.0%
Rotherham NHS Foundation Trust - Community	28.9	7.2%
Other Community	3.8	0.9%
Prescribing	48.5	12.1%
Primary Care Co Commissioning	32.8	8.2%
Local Enhanced Services	3.7	0.9%
GP Out of Hours	2.0	0.5%
Walk in Centre - Urgent Care	3.1	0.8%
Other Primary Care	0.6	0.2%
Corporate	10.8	2.7%
RMBC Joint Commissioning	11.7	2.9%
Voluntary Sector	1.5	0.4%
Continuing Healthcare / Funded Nursing Care	20.5	5.1%
Central Budgets	8.6	2.2%
Total Expenditure	**400.2**	**100%**

10. RECOMMENDATION

Governing Body Members are asked to note the allocations, risks, priorities and savings requirements identified in this paper and approve the financial plan for 2016/17.

Members are also asked to delegate authority to senior officers to make minor amendments to the figures based upon the outcomes of final contract negotiations and QIPP discussions acknowledging that the total spend figure is unlikely to change.

SUMMARY OF BUDGET AND NOTES TO THE TABLE **APPENDIX A**

1 SUMMARY FINANCIAL PLAN WITH MOVEMENTS IN YEAR

Rotherham CCG Summary Plan 2015/16	Opening Recurrent Plan £m	2.0% tariff efficiency built into contracts £m	Inflation & Tariff Price changes £m	Savings from QIPP schemes £m	Growth & New Services £m	Recurrent Plan 16/17 £m	Non recurrent spend 2016/17 £m	TOTAL Plan 2016/17 £m
Acute & Mental Health	217.2	(3.9)	6.6	(4.9)	5.4	220.5	6.5	226.9
Community	32.4	(0.5)	0.8	0.0	0.0	32.7	0.0	32.7
Prescribing	47.8	0.0	3.3	(2.6)	0.0	48.5	0.0	48.5
Primary Care	38.4	0.0	0.3	(0.1)	0.3	38.9	0.2	39.1
Corporate	11.5	(0.0)	0.6	(0.3)	0.0	11.9	(1.4)	10.5
Partnerships inc. CHC	31.4	0.0	1.1	(0.5)	0.1	32.2	1.5	33.7
Central Budgets	4.3	0.0	0.3	(1.5)	0.0	3.1	5.7	8.9
Grand Total	**383.0**	**(4.4)**	**13.1**	**(9.9)**	**5.9**	**387.7**	**12.5**	**400.2**
		Note 1	*Note 2*	*Note 1*	*Note 2*		*Note 3*	

2 ***NOTE 1*** **-** *These two columns represent the QIPP schemes and are summarised below with detailed plans attached at* ***Appendix B – not all plans are fully substantiated at this stage but these are examples of the key areas of savings to be acheived.***

QIPP Plans	2016/17 £m
Medicines Management	(2.63)
Unscheduled Care	(1.79)
Clinical Referrals	(2.16)
Mental Health	(0.93)
Primary Care	(0.12)
Continuing Healthcare	(0.50)
Unidentified	(1.50)
Corporate Services	(0.25)
Sub Total	**(9.87)**
Tariff Efficiency	(4.42)
TOTAL QIPP	**(14.29)**

3 ***NOTE 2*** **-** *The table below sets out the keys areas of growth and investment required.*

Funds Required	£m
Tariff Inflation	7.4
Specialised LD	0.3
Continuing Health Care	1.4
Primary Care	1.2
2016/17 Mental Health/CAMHs/IAPT	1.0
Prescribing Inflation, NICE etc	3.3
16/17 Growth & Activity changes	4.3
TOTAL	**18.9**

4 ***NOTE 3*** **–** *Key non recurrent reserves are detailed below.*

Non recurrent plans	£m	NOTES
CHC Retrospectives	0.9	Final year of payment for CHC claims
0.5% Contingency	2.0	NHSE requirement to hold 0.5% contingency
Emergency Centre	4.8	£4m build, £0.4m IT system and £0.4m Transition
BCF Risk Pool	0.8	Requirement of new BCF guidance
Additional 1% Surplus	4.0	NHSE requirement to create a risk reserve
Total	**12.5**	

QIPP SCHEMES – PLAN ON A PAGE **APPENDIX B**

ACUTE SERVICES QIPP SCHEMES

Lead GP:	*Dr Phil Birks*	**Lead Executive:**	*Keely Firth*
Lead Officer:	*Rebecca Chadburn*		

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Reducing levels of follow-up attendances	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	1,245			
	Investment required?				
Description of Scheme	Reduction in follow-ups where TRFT are above peer average				
Basis for calculation of saving	Bringing TRFT's follow-up activity at specialty level in line with peer average				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Reducing levels of Activity growth	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	73			
	Investment required?				
Description of Scheme	Reducing levels of Activity growth in direct access pathology in line with clinical pathways				
Basis for calculation of saving	Assumption made around activity reduction to reflect the clinical pathway reviews				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Avoidable admissions through the Clinical Decision Unit	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	261			
	Investment required?				
Description of Scheme	Delivery of A and E Assessments through the Clinical Decision Unit				
Basis for calculation of saving	Activity in this unit avoids a higher admission cost @ average tariff.				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Reducing levels of A&E and short stay assessments	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	306			
	Investment required?				
Description of Scheme	Reducing levels of Activity growth from national assumptions				
Basis for calculation of saving	Local trend analysis assumed for planning purposes with the saving based upon interventions in pathways, top tips etc which have been successful in dampening down growth.				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Acute Services Other Contracts - Planned care	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	480			
	Investment required?				
Description of Scheme	Reducing acute services - planned care activity growth levels from national assumptions				
Basis for calculation of saving	Local trend analysis assumed for planning purposes with the saving based upon interventions in pathways, top tips etc which have been successful in dampening down growth.				

ACUTE SERVICES - UNSCHEDULED CARE - QIPP SCHEMES

Lead GP:	*Dr Phil Birks*	**Lead Executive:**	*Keely Firth*
Lead Officer:	*Rebecca Chadburn*		

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Acute Services Other Contracts - Unscheduled Care	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	267			
	Investment required?				
Description of Scheme	Reducing acute services - unscheduled care activity growth levels from national assumptions				
Basis for calculation of saving	Local trend analysis assumed for planning purposes with the saving based upon interventions in pathways, top tips etc which have been successful in dampening down growth.				

Lead GP:	*Dr Phil Birks*	**Lead Executive:**	*Keely Firth*
Lead Officer:	*Dominic Blaydon*		

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Reducing levels of Emergency Admissions	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	952			
	Investment required?				
Description of Scheme	Reduce the levels of growth in emergency admission to reflect the reconfiguration of the neuro rehab unit, introduction of the Integrated Rapid Response Service and Integrated Locality Teams				
Basis for calculation of saving	Neuro rehab - Assuming that 50% of the additional capacity is used for step-up provision and that the average length of stay achieves target at 5 days, this should prevent approximately 180 admissions/year. Integrated Rapid response - The service operates 24/7, 7 days/week. Commissioners estimate that the service will prevent an additional 250 admissions/year. Integrated Locality Teams - estimate that the increased focus on admission prevention, combined with a multi-disciplinary approach which is led by a community physician should, on a conservative estimate, save 2 admissions/week. This equates to 104 admissions/year.				

MENTAL HEALTH AND LEARNING DISABILITY SERVICES QIPP SCHEMES

Lead GP:	*Dr Russel Brynes*	**Lead Executive:**	*Ian Atkinson*
Lead Officer:	*Kate Tufnell*		

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Sapphire Lodge bed reductions	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	483			
	Investment required?	0			
Description of Scheme	Learning Disabilities - Reduction of ATU beds at Sapphire Lodge to align capacity and demand				
Basis for calculation of saving	Cost of bed per day £512 / approx 2.5 beds - no RCCG patients have been admitted to these facilities in the last 12 months.				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	MH & LD Joint QIPP with RDASH	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	446			
	Investment required?	0			
Description of Scheme	Mental Health & Learning Disabilities - working with RDASH to reduce the Out of Area activity / individually funded placements				
Basis for calculation of saving	Patients reviewed with more appropriate package or placement that offers better value for money				

MEDICINES MANAGEMENT QIPP SCHEMES

Lead GP:	*Avanthi Gunesekera*	**Lead Executive:**	*Ian Atkinson*
Lead Officer:	*Stuart Lakin*		

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Waste reduction	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	750			
	Investment required?	93			
Description of Scheme	Rotherham in 2015/16 has experienced very strong volume (item) growth 3.33% compared to a cluster average of 1.99% and 1.62% for England. Rotherham has a very competitive cost\item. The waste campaign as identified significant waste with "when required" medicines and this is reflected in item growth data, the recruitment of 3 pharmacy technicians to work with practices to reduce waste by addressing ordering by third parties				
Basis for calculation of saving	Rotherham's higher than "cluster" item growth as added an additional £1.4 million to prescribing costs over the last 12 months. The additional technicians will recover 50% of this additional item growth in the first year and associated costs to a value of £62,500/month from recruitment. Savings are calculated based on a full year , but in actuality can't start until technicians are recruited.				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Medicines Management QIPP	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	550			
	Investment required?	0			
Description of Scheme	Product switch schemes to more cost effective products, pen needles, blood glucose monitoring, vitamin D, gliptin+metformin, glucosamine combination products. More switch schemes to be evaluated.				
Basis for calculation of saving	Cost savings with a 75% switch success rate				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Branded Generics	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	250			
	Investment required?	0			
Description of Scheme	Switching a range of drugs prescribed generically to a specific brand that is below drug tariff price as of March 2016				
Basis for calculation of saving	75% switch rate from generic to brand.				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Rebates and contract efficiencies.	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	200			
	Investment required?	0			
Description of Scheme	Participating in rebate schemes as identified by PRESCQIPP.				
Basis for calculation of saving	Rebate rates as published March 2016.				

QIPP SCHEMES – PLAN ON A PAGE **APPENDIX B continued….**

Medicines Management continued…..

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Do not prescribe	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	150			
	Investment required?	0			
Description of Scheme	Reduction in prescribing drugs of limited clinical value				
Basis for calculation of saving	Reduction in prescribing rates of a limited range of drugs to national average prescribing rates.				

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Service redesign	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	654			
	Investment required?	0			
Description of Scheme	Prescribing and financial responsibility has been removed from GPs and transferred to other health care professionals to manage (Nurses & Dietitians) savings				
Basis for calculation of saving	Based on CCG's previous years unit price performance compared to national cost growth data indicates a £1.308m saving (breakdown : Nutrition £830,000 + Gluten Free £100,000 + Stoma £128,000 + Continence £250,000) Not all of this saving is 'new' however as CCG allocations are based on outturn spend (which therefore already reflects some of the price saving). However some price saving on new volumes will be achieved. Plus there are new schemes (wound care) coming into the picture. Wound care may release £350k to QIPP. Estimate in total 50% of the £1.3m may be achievable.				

PRIMARY CARE QIPP SCHEMES

Lead Officer:	*Jacqui Tuffnell*	**Lead Executive:**	*Chris Edwards*

		2016/17	2017/18	2018/19	2019/20
Scheme Name	Contract changes	***£000s***	***£000s***	***£000s***	***£000s***
	Estimated savings	117			
	Investment required?				
Description of Scheme	The Gateway reprocurement has enabled an efficiency saving as the new contract costs are less than current/previous funding costs				
Basis for calculation of saving	Previous funded level is within the allocation therefore this is realised saving				