ENCLOSURE: J

Agenda Item: 65/16

NHS
Bexley
Clinical Commissioning Group

Governing Body meeting (held in public)

DATE: 26 May 2016

Title	**NHS Bexley CCG 2016/17 Financial Recovery Plan**	
This paper is for **Discussion & Decision**		
Recommended action for the Governing Body	That the Governing Body: 1. **Discuss** and **Note** the final Financial Recovery Plan submitted to NHS England.	
Potential areas for Conflicts of interest	There are areas mentioned in the financial recovery plan that GPs could be involved with at practice level.	
Executive summary	As the CCG is submitting a financial position less than 1% surplus in 2016/17, it is now required to prepare and submit a financial recovery plan. The draft plan was discussed and approved at the March Governing Body meeting and the final plan is attached at Appendix 1. The final plan has been updated for the CCG's final planning submission which plans for a surplus of £169k in 2016/17 rising to a 1% surplus over the 5-year planning period. This has been submitted to NHS England in line with national planning requirements. The document sets the financial scene within the CCG, then discusses the 2016/17 financial position and planning assumptions, benchmarking and financial management within the organisation before moving on to the recovery plan. The plan represents a significant challenge for the CCG.	
How does this paper support the CCGs objectives?	**Patients:**	The CCG always endeavours to improve the health and wellbeing of people in Bexley within the resources available.
	People:	N/A
	Pounds:	Despite not planning to meet 1% surplus until year five of the 5-year planning period, the CCG has met its statutory

Excellent healthcare – locally delivered

		financial duties since inception, and is planning to continue to do this in each year of planning.
	Process:	The CCG has robust financial management processes in place. This document is a requirement within current planning guidance.
What are the Organisational implications	Key risks	The key risks to the delivery of the financial plans are outlined in section 8 of the report.
	Equality	N/A
	Financial	The CCG is planning to meet its statutory financial duties in each year, rising to 1% surplus in year five of the planning period.
	Data	N/A
	Legal issues	N/A
	NHS constitution	N/A
Engagement	The draft financial recovery plan was shared with Governing Body members and was discussed at the March EMC. Members have also been alerted to the plan.	
Audit trail	The plan was discussed at the March EMC and approved at the March Governing Body meeting.	
Comms plan	The plan has been communicated to CCG staff and members.	
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Date	8 May 2016	

NHS
Bexley
Clinical Commissioning Group

Financial Recovery Plan
NHS Bexley CCG

April 2016

Version 4

NHS
Bexley
Clinical Commissioning Group

1. Introduction 3
2. Executive Summary 3
3. Summary Financial Position 6
4. Diagnosis 6
4.1 Changes in Market Forces Factor (MFF) 6
4.2 Tariff impact 6
4.3 Continuing Healthcare (CHC) living wage costs 7
4.4 2015/16 Acute activity 7
4.5 Other funding changes 7
5. 2016/17 financial position 8
5.1 2016/17 planning assumptions 8
5.2 2015/16 to 2016/17 bridge analysis 8
5.3 2016/17 underlying position 10
6. Benchmarking 11
7. Financial Management 12
8. Financial Recovery Plan 14
8.1 Objectives of recovery plan 14
8.2 Strategic goals, health outcomes and the Five-Year Forward View 15
8.3 Commissioning Intentions 16/17 15
8.4 GP and Clinical Engagement 15
8.5 Patient and User Engagement 16
8.6 5-year Revenue Resource Limit (RRL) 17
8.7 2016/17 to 2020/21 Planning assumptions 18
8.8 South East London risk pool 20
8.9 QIPP & service transformation 21
8.10 Better Care Fund 24
8.11 Projected financial position 2015/16 to 2020/21 24
8.12 Risk & mitigation 28
8.12.1 Risk 28
8.12.2 Mitigations 32
8.13 Governance 33
9. Summary 33

1. Introduction

NHS Bexley CCG has had a difficult financial position since inception, which was inherited from Bexley Care Trust. Although it has not managed to post a 1% surplus, it has posted a breakeven position, in line with its statutory duty in each of the financial years, also improving the underlying financial position (until 2015/16), with a programme of significant transformational QIPP.

This report provides a summary of the financial position and that over the 5-year planning period. It then outlines the plan objectives, QIPP, risks and mitigations to overall delivery.

2. Executive Summary

The CCG vision is for Bexley's residents to stay in better health for longer, with the support of good-quality integrated-care, available as close to home as possible – backed up by accessible, safe and expert hospital services, when they are needed. This vision requires a whole system approach to the delivery of care.

The CCG's mission is ***Excellent Healthcare; Locally Delivered***.

Both the vision and mission are supported by the CCG's values which guide how we work, the kind of culture we live by & how we ASPIRE to behave:

A	We are **accountable** to our members, stakeholders, partners & ourselves
S	We support our **staff** to be the best they can be, so we can deliver the best for our population
P	We commission for quality to deliver improved outcomes for our **patients**
I	We encourage new ideas & **innovation**
R	We **respect** the diverse needs of our population & the expertise of our delivery partners
E	We aim for **excellence**, working to high standards & increasing transparency

All partners are committed to working together to deliver quality and productivity improvements as outlined in 'Our Healthier South East London' (OHSEL) strategy, which is reflected in organisational plans. However, the CCG and its partners recognise the scale of the current and future financial challenges, assessed nationally as £30bn by 2020, and across south east London as £2bn over the 5-year planning period.

As a minimum the CCG intends to continue to deliver cost-effectiveness to ensure continued financial balance on a recurrent basis, whilst striving to deliver the planning requirement of 1% surplus. The CCG has a responsibility to invest to support service transformation which will support health gains and improved outcomes as well as ensuring that the CCG's funding is spent in the most efficient way and adds value.

The CCG achieved its statutory financial duty of breakeven in 2013/14, 2014/15 and 2015/16 (draft), posting small surpluses in each year. The CCG also had planned QIPP of 5.4%, 2.2% and 2% respectively in each of those years. However, as a result of changes in planning guidance (primarily the changes in tariff), and underlying cost pressures in 2015/16, the CCG is not now able to plan to deliver the 1% required surplus in 2016/17 or in full until the end of the 5-year planning period.

Our work to deliver real changes in the way that patients access health care is linked not just to financial savings and efficiency but also to improved clinical outcomes. The CCG has strong relationships with key stakeholders across the borough and has a good reputation for establishing innovative and integrated pathways.

In order to secure the scale of savings needed, both within the CCG and across south east London, the health community will need to undertake significant transformation of services over the next five years. Some of the mechanisms for this are already in place, for example, significant work has taken place at Strategic Partnership Group (SPG) level to agree the SPG footprint and put in place the OHSEL strategy. The CCG has also used **Commissioning for Value Right Care data to benchmark its services for the last two years, to identify any opportunities.** However, the CCG also needs to respond to the challenges in the Five Year Forward View.

In addition to achieving its statutory breakeven duty, the CCG has achieved all other statutory financial targets including the Better Practice Payment code, remaining within its running costs allocation and within its cash allocation. In 2015/16, the CCG received an element of its Quality Premium for 2014/15 achievements.

This financial recovery plan has been prepared with reference to national guidance and local priorities.

A summary of the CCG's forecast and planned position for 2015/16 to 2020/21 against national planning assumptions is shown in table 1 below:

Table 1: CCG position against CCG planned position 2015/16 to 2020/21

Planning Assumption	2015/16		2016/17		2017/18		2018/19		2019/20		2020/21	
	Planning assump	**CCG position**	**Planning assump**	**CCG position**	**Planning assump**	**CCG position**	**Planning assump**	**CCG position**	**Planning assump**	**CCG position**	**Planning assump**	**CCG position**
Breakeven	0%	0.1%	0%	0.1%	0%	0.2%	0%	0.4%	0%	0.6%	0%	1%
1% surplus	£2,874k	£169k	£2,985k	£169k	£3,064k	£546k	£3,148k	£1.352k	£3,241k	£2,016k	£3,391k	£3,391k
0.5% contingency	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
1% N/R reserve	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

3. Summary Financial Position

The CCG has a total allocation for 2016/17 of £298.5m and national planning requirements are to:

- Deliver a 1% surplus
- Budget for an uncommitted 1% non-recurrent headroom (reserve)
- Budget for a 0.5% contingency
- Continue investment in mental heath

NHS Bexley CCG has historically been funded below its target allocation; therefore services have to be provided at below average cost in order to remain within the CCG's actual funding allocation. This shortfall was partially recognised in 2015/16, when the CCG reduced above minimum growth, and is again recognised in 2016/17.

The CCG will receive 5.35% in 2016/17 (4.33% per capita growth) on its programme allocation, however it still remains 3.09% behind target allocation, a gap of £9m.

4. Diagnosis

The CCG had always expected to submit a breakeven plan for 2016/17 based on the 2015/16 planning assumptions. Although the growth was higher than predicted there are also a number of risks that have emerged since; these include changes in the tariff assumptions for 2016/17 including an additional 0.7% for CNST, and underlying acute cost pressures in 2015/16, stemming from higher than planned activity in the negotiated block and cap & collar contracts.

NHSE also confirmed, late in the planning process, the expectation that the 1% non-recurrent headroom (reserve) could not be committed in planning, adding further un-planned costs.

4.1 Changes in Market Forces Factor (MFF)

In 2014/15 Dartford & Gravesham trust and the trusts within south east London had their MFF recalculated to take account of dissolution of the South London Healthcare trust. This increased the costs to NHS Bexley CCG. To recognise this change, south east London CCGs agreed a re-distribution of funding for 2014/15 and 2015/16, until new allocations were published. This has resulted in a reduction in funding of £2.5m in 2016/17.

4.2 Tariff impact

The planning submitted in 2015/16, predicted a tariff increase of 0.4%. This has subsequently changed to a planning increase of 1.1% for 2016/17, excluding 0.7% CNST. Actual tariff increase has ranged from 0.3% to 1.8%, varying between DTR and ETO trusts. The net additional cost of this for 2016/17 is £1.5m. Tariff impact has

been planned for 2017/18 to 2020/21, based on Monitor guidance, across south east London.

4.3 Continuing Healthcare (CHC) living wage costs

The planning submitted now assumes 5% increase for CHC costs. This is based on advice provided by the lead CFO on the London purchased healthcare steering group to take account of cost pressures within care homes relating to the national living wage and wider supply pressures. This is an additional cost pressure, from that previously planned, of £0.3m. In fact, letters are already being received from care homes, some of which are asking for increases above this level, adding risk into 2016/17.

4.4 2015/16 Acute activity

Despite funding growth, and setting realistic 2015/16 contracts, the CCG is seeing significant underlying activity increases that will need to be funded in 2016/17. Not all of this is evident in the 2015/16 financial position due to the block and cap & collar contracts set with three of the CCG's main providers. Although some of the current reported growth is being challenged with providers, it is currently showing as 8% above plan (in the CCG's four main providers). The main issues are with Lewisham & Greenwich NHS Trust and King's College Hospital NHS Foundation Trust.

4.5 Other funding changes

There are a number of other assumptions that have changed between 2015/16 and 2016/17. The main ones are shown below:

- Initial planning assumptions assumed that the £0.6m funding received in 2015/16 for DTR/ETO issues, would be included in 2016/17 allocations. Although this may be the case, this is not an increase in funding for 2016/17. Furthermore, the CCG has to pay CQUIN on the DTR contracts (primarily GSTT and King's) which is 1% above the LIS paid in 2015/16, a further cost pressure of £0.3m.

- The RRL increase in 2016/17 includes £0.6m relating to GP IT, which is now in the CCG's baseline. This has previously been received as a separate non-recurrent allocation to fund CCGs for carrying out NHS England's responsibilities in this respect.

- Prescribing costs continue to increase. The CCG benchmarks well against AstroPU and it has previously commissioned the University of Keele to undertake an independent study of its prescribing costs. The savings predicted are being achieved with the assistance of dedicated prescribing advisors. Despite this, the CCG is predicting an overspend (at month 11) of c£0.8m in 2015/16. Some of the increased costs relate to drugs initiated in the acute sector with the expectation that general practice will prescribe them, as

opposed to sending patients home with drugs from hospital. Increases are also being seen as a result of increased prescribing of NOACs and vitamin D.

5. 2016/17 financial position

5.1 2016/17 planning assumptions

The CCG has reviewed the planning guidance issued for 2016/17 and has ensured that the planning assumptions have been included in its financial planning. The details are shown in table 2 below.

Table 2: 2016/17 Financial Planning assumptions

Directorate	Demographic Growth	Non-demographic growth	Total population & incidence growth	Prescribing growth	Tariff/ Inflation Uplift	Tariff efficiency assumption/ Price Efficiency applied	Net Tariff/ Inflation Uplift
Acute	0.97%	2.00%	2.97%		3.10%	-2.00%	1.10%
Mental Health							3.98%
CHC	0.97%	2.00%	2.97%		4.03%	-2.00%	2.03%
Client Groups	0.97%	2.00%	2.97%		3.10%	-2.00%	1.10%
Primary Care	0.00%	0.00%	0.00%	4.00%	1.00%	0.00%	1.00%
Corporate Budgets	0.00%	0.00%	0.00%		2.00%	0.00%	2.00%
Other Budgets	0.97%	2.00%	2.97%		3.10%	-2.00%	1.10%

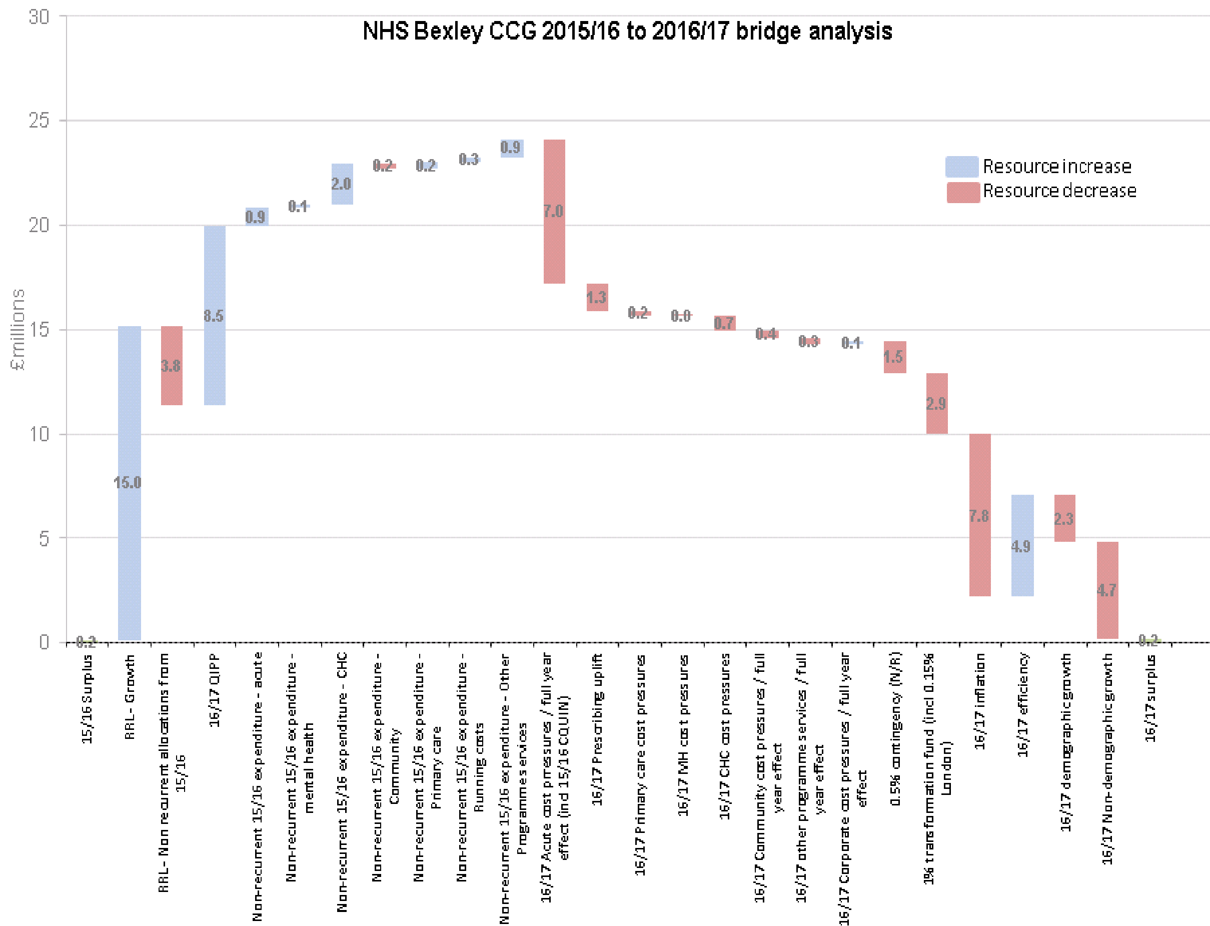
5.2 2015/16 to 2016/17 bridge analysis

The CCG will receive minimum growth in 2016/17 of 3.94%, and an additional £4m funding for distance from target, taking total growth to 5.3%, or per capita growth of 4.3%. However, the CCG remains £9.3m (3.09%) below its target allocation. A bridge analysis showing the movements from 2015/16 to 2016/17 is shown in table 3 and figure 1.

Table 3: 2015/16 to 2016/17 bridge analysis

Spend	£m
15/16 forecast Surplus	**0.15**
RRL - Growth	15.03
RRL - Non recurrent allocations from 15/16	-3.78
16/17 QIPP	8.54
Non-recurrent 15/16 expenditure - acute	0.90
Non-recurrent 15/16 expenditure - mental health	0.13
Non-recurrent 15/16 expenditure - CHC	1.98
Non-recurrent 15/16 expenditure - Community	-0.19
Non-recurrent 15/16 expenditure - Primary care	0.24
Non-recurrent 15/16 expenditure - Corporate	0.28
Non-recurrent 15/16 expenditure - Other budgets & reserves	0.88
16/17 Acute cost prressures / full year effect (incl 15/16 additional)	-6.97
16/17 Prescribing uplift	-1.30
16/17 Primary care cost pressures	-0.19
16/17 CHC cost pressures	-0.69
16/17 MH cost pressures	-0.02
16/17 Community cost pressures / full year effect	-0.40
16/17 other programme services / full year effect	-0.26
16/17 Corporate cost pressures / full year effect	0.11
0.5% contingency	-1.49
1% transformation fund (incl 0.15% London)	-2.93
16/17 inflation	-7.79
16/17 efficiency	4.90
16/17 demographic growth	-2.26
16/17 Non-demographic growth	-4.66
16/17 planned surplus	**0.17**

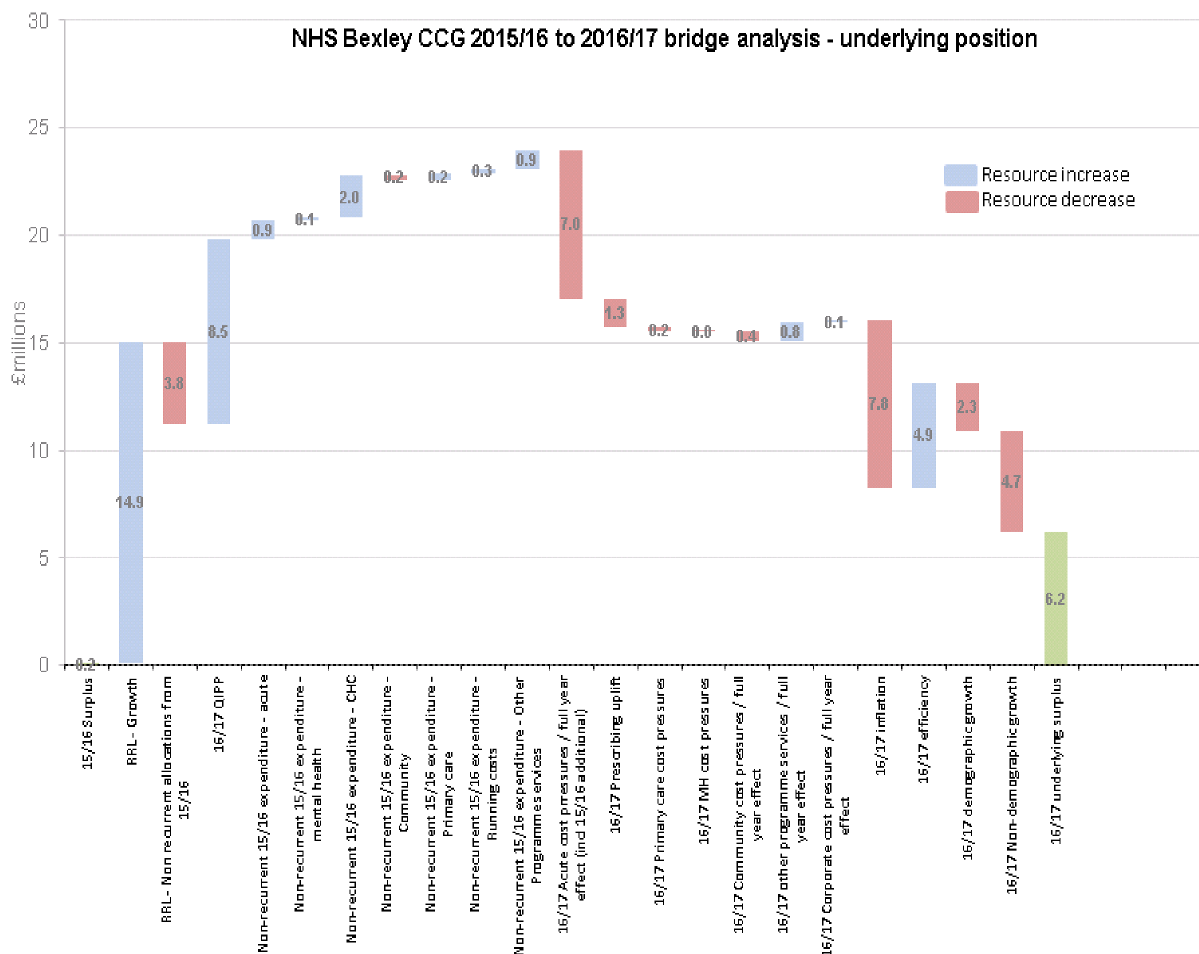
Figure 1: 2015/16 to 2016/17 bridge analysis



5.3 2016/17 underlying position

The CCG is currently reporting an underlying position for 2015/16 of £0.6m surplus (before the effect of full year QIPP and FYE). In 2016/17 the CCG has a planned underlying surplus of £6.2m (shown in figure 2).

Figure 2: 2015/16 to 2016/17 bridge analysis – underlying position



6. Benchmarking

In October 2014, the CCG undertook a benchmarking exercise to identify potential 2015/16 QIPP opportunities to inform the 2015/16 commissioning plans. Several benchmarking tools were identified and explored, these being:

Dr Foster
Better Care Better Value
NHS Comparators
PbR National Benchmarking Audit Tool
Commissioning for Value *"Right Care Packs"*

The CCG currently measures itself against two peer groups: the Office of National Statistics (ONS) cluster of *"New & Growing Towns"*, and the NHS England grouping from the Commissioning for Value: *"Right Care Packs"* (RC).

Limitations were found in most of the tools available. However, a number of potential opportunities were identified using the "Right Care Packs". This followed review and discussions within the CCG and it was decided that the Commissioning for Value: *"Right Care Packs"* were the most appropriate to use, although the data was not the most up to date. The tool is well recognised nationally and is also sponsored by NHS England. Additionally, it is the only tool available, where the CCG can access the underlying data, which was obtained for review. This allowed a deeper dive and a greater understanding of the opportunities; and a revised benchmarking schedule was produced and sent to the Director of Commissioning for review in Quarter one 15/16. This was returned identifying the relevant areas for further investigation / analysis. For each area to be investigated a short pro-forma was then designed to facilitate the investigation. Recently, the analysis has been used as a supplementary tool to advance key service redesign schemes such as Diabetes and Children and Young People's. However, generally the opportunities identified had already been approached through various service redesign programmes or the 'OHSEL' strategy.

More up to date Commissioning for Value data has recently become available which has enabled further work in order to identify all viable areas to support the 16/17 Operating Plan and QIPP. Staff have attended the launch event and Muir Gray has visited the CCG and met with the south east London PMO, to explain his vision regarding the need for changes in the acute sector. A weekly meeting is in place which is reviewing the opportunities. These are limited but areas have been identified to help close the unidentified QIPP for 2016/17.

7. Financial Management

The CCG prides itself on the strength of its Financial Management. NHS England has recently undertaken an analysis of financial management within CCGs, with the results being benchmarked. NHS Bexley CCG compares reasonably well to the national position showing that the CCG's main area of weakness is long term planning. However, this is as a result of the inability to meet the 1% surplus in line with national planning requirements only, as opposed to planning weaknesses.

The CCG asked Internal Audit to audit the initial submission and was given Significant Assurance. Actions were identified, by the CCG, to improve the current level of performance and an update on those actions has been provided to the CCG's Audit & Integrated Assurance Committee, the Governing Body and NHS England. These actions include:

- The CCG has a new Medium Term Financial Strategy (MTFS) in place.
- The CCG's planning model has continually been updated since month 5 2015/16.
- All financial submissions are physically signed by the CFO
- The acute QIPP delivery information is constantly reviewed to assess its reliability. This work needs to continue.

- Additional finance training has been given, including to Governing Body and Audit & Integrated Assurance Committee members.
- The CCG is continuing to work with providers to ensure delivery of performance targets and with the CSU with regard to cash balances, which has proved to be successful.
- Risks for the CCG and the financial position continue to be monitored and reviewed on at least a monthly basis and these are regularly reported to the CCG's committees.

In addition, the CCG has an independent panel that RAG rates its QIPP schemes at the start of the year by assessing deliverability.

The CCG has received clean audit reports and value for money conclusions in each of the years since its inception. Furthermore, it has received positive Head of Internal Audit opinions and audit reports.

The CCG has operated with the same senior management team since its inception. This includes a Chief Officer, a Chief Financial Officer, a Director of Commissioning and a Director of Governance & Quality. All four individuals have considerable NHS experience, and have held senior positions in previous NHS organisations.

The Chief Financial Officer is supported by a strong Assistant Director of Finance (and Deputy Director in relation to Primary Care, Information and the Programme Management Office), with a small strong Financial Services Team. The Accounting, Reporting & Control team is provided by South East CSU (SECSU).

The SECSU also provides the CCG's Contracting & Performance Support team. The CCG is continuing to work with the CSU to improve the quality of support in this respect.

The CCG is confident it understands its financial position and associated risks. The CCG has a challenging financial position for the next few years but previous years delivery on QIPP combined with a strong Executive and Senior Management Team will ensure that the CCG recovers from its financial challenges. There is good understanding of the financial challenge across all teams in the CCG not just the finance department, with presentations and training taking place across the CCG.

The CCG's Governing Body is presented with detailed financial reports at each of its meetings and robust challenge takes place. All of the Governing Body and Audit Committee members have recently undertaken finance training to help with interpretation of financial reports and challenge. There has been some turnover in the elected and appointed Governing Body members, with a new chair being appointed in September 2015, having been a locality lead prior to appointment.

There is a good working relationship with NHS England with which the CCG is always transparent in its dealings.

8. Financial Recovery Plan

8.1 Objectives of recovery plan

The CCG aims to recover the 1% surplus position over the next five years by increasing the surplus in each of the next four years. This is shown in figure 3, along with the QIPP required to achieve this. It also aims to keep the CCG in underlying surplus (shown in figure 4). This is in addition to complying with the other national planning requirements and improving the quality of care to Bexley residents.

Figure 3: 5-year planning 2015/16-2020/21

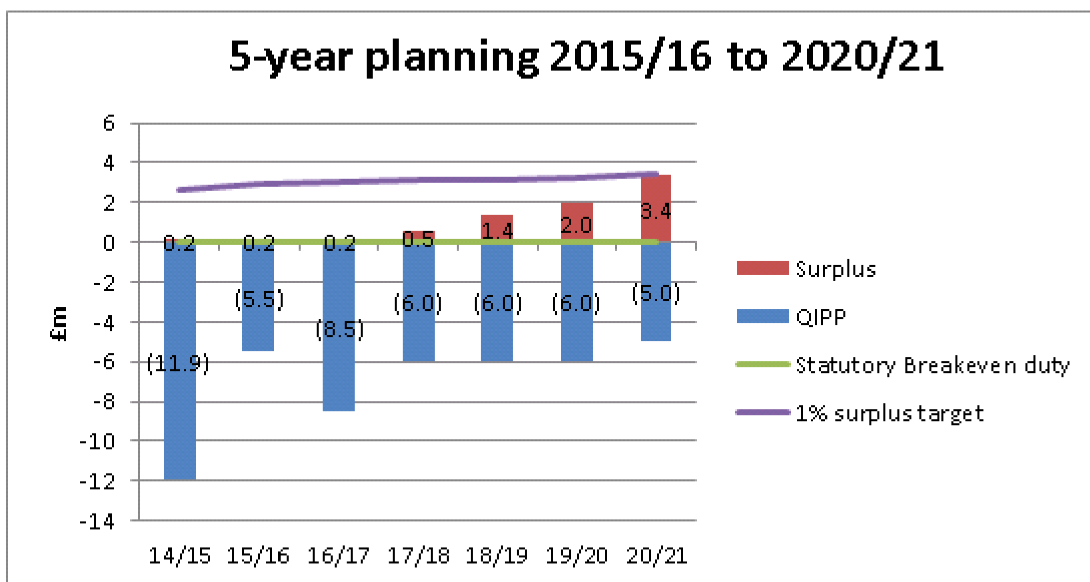
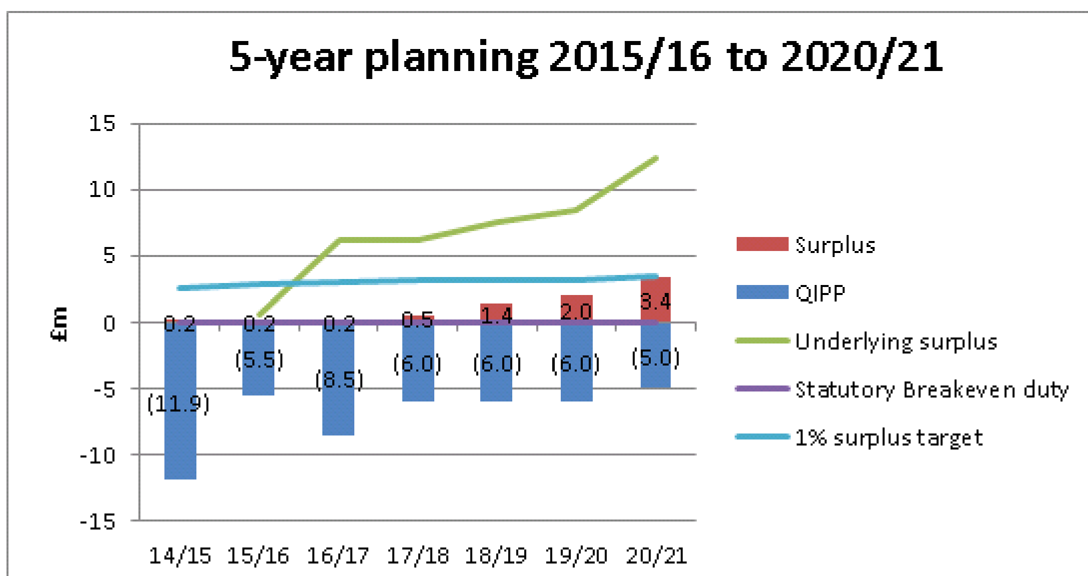


Figure 4: 5-year planning 2015/6-2020/21 showing underlying position



8.2 Strategic goals, health outcomes and the Five-Year Forward View

The CCG will still work to deliver the totality of its strategic goals, commissioning intentions and reduction in health inequalities as set out in its plans, which fit with the 'OHSEL' strategy. All elements of this financial recovery plan are initiatives which have been identified to further support the delivery of the above. The CCG needs to continue to robustly manage acute contracts, which is the main cause of its movement from plan in each financial year.

The plan supports the CCG's integration agenda, in particular the implementation of Local Care Networks including closer working between community services and social care.

The CCG is currently co-commissioning primary medical services with NHS England, at level 2; therefore primary care resources and expenditure are not currently included in the CCG's plans.

8.3 Commissioning Intentions 16/17

The CCG has developed its commissioning intentions for 16/17, with the involvement of members and stakeholders. These have been presented at a members' and stakeholders' event and the Governing Body, and will also be presented to a GP engagement event in April. This process has ensured clinical and stakeholder involvement in the development of commissioning intentions, with feedback and suggestions being considered. Commissioning Intentions have also been shared with providers, in line with required timescales.

8.4 GP and Clinical Engagement

A key element of financial recovery will be the continued engagement with GPs.

The CCG's membership is made up of representatives from each of the borough's GP practices. Although decision making has been devolved to the Governing Body, the CCG works alongside its members to ensure the services that it commissions are clinically-led, relevant and appropriate.

Our membership is divided into localities / local care networks (North Bexley, Clocktower and Frognal) and the CCG meets monthly with each. The localities provide current feedback on the quality of services that provides a clear perspective from the ground on how those services are performing or the opportunity for change. In addition to the locality meetings this feedback is provided through the Quality Alert Management System.

The CCG has engaged members in the development of 2016/17 plans by:

- Using quarterly engagement sessions to explain how commissioning plans were met in 2014/15
- Holding workshops with clinical leads and practice managers to identify the priority areas for 2016/17
- Engage GPs via locality meetings
- Communicate updates through public meetings, the GP zone (a secure extranet) and the CCG's fortnightly bulletin.
- Meeting monthly with the localities (with CCG Director level representatives) to receive updates and provide feedback

The CCG has excellent engagement with its Governing Body GPs and the majority of practices. The CCG continues to get excellent attendance at its quarterly engagement events.

Over the last 18 months, the CCG has developed a Primary Care Development Working Group which is thriving, has representation from all localities and one third of practices as members. This group is the main forum for taking forward the Transforming Primary Care Strategy. In addition, the CCG has a Local Care Network Board to take this element of the 'OHSEL' strategy forward. Local Care Networks will be facilitated by the sharing of records which is now in place across Bexley. It is hoped that these initiatives will improve care in the community and reduce activity within the acute sector.

The CCG also has a robust clinical leads programme ensuring that clinical advice is provided to the CCG for all transformational schemes and those affecting patient care. The Clinical members of the Governing Body are represented on all Committees and Sub-Committees of the CCG where the financial position is regularly discussed.

8.5 Patient and User Engagement

Patient and public involvement

NHS Bexley CCG strongly believes engaging with patients and the public is fundamental to delivering its vision. Patient engagement with patients and the wider resident population is helping to deliver improvements to local services.

Bexley patient council – supporting the CCG to put the patient

The Bexley patient council provides patients, the public and other community representatives with a significant influence in how the CCG develops and commissions services. Integral to the work of the CCG, the patient council is engaged on all service transformations and redesigns. The patient council has the opportunity to discuss and influence information on quality of services updates,

governance arrangements, finance reports and plans for the Our Healthier South East London strategy. The patient council also has members that sit on some of our contract monitoring meetings with providers.

Mystery shopper scheme

With support from the patient council, NHS Bexley CCG launched a mystery shopper scheme in 2014. The scheme enables the CCG to look at healthcare from a patient perspective, highlighting how patients perceive services at the point of delivery.

With mystery shopper feedback, along with other quality data and information, the CCG is able to make a number of improvements. One of the biggest successes, which led to a dramatic improvement in patient satisfaction, is access to blood tests at Erith hospital. Blood tests were changed from walk-in to bookable so that patients did not have to wait for long periods of time.

8.6 5-year Revenue Resource Limit (RRL)

The CCG has been given its RRL for the full 5-year planning period although it is acknowledged that the future years may change. These have been used to model the financial position over the 5-year planning period. The CCG's programme allocations, growth and distance from target (dft) are shown in table 4 below.

Table 4: 5-year Revenue Resource Limits

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m	£m
Opening RRL	265.4	278.4	293.3	301.1	309.1	317.6
Uplift	13.0	14.9	7.8	8.0	8.5	14.2
Closing RRL	278.4	293.3	301.1	309.1	317.6	331.8
Growth %		5.3%	2.7%	2.7%	2.7%	4.5%
Per Capita growth %		4.3%	1.7%	1.7%	1.7%	3.5%
Target £		302.6	309.9	317.2	325.1	338.7
Dft £		9.3	8.7	8.1	7.5	6.9
Dft%	4.3%	3.1%	2.8%	2.5%	2.3%	2.0%

The CCG also receives an allocation for running costs which is excluded from table 4.

8.7 2016/17 to 2020/21 Planning assumptions

The Planning assumptions used in planning for the 5-year period are as follows in tables 5-9.

Table 5: 2016/17 Planning assumptions

2016/17							
Directorate	Demographic Growth	Non-demographic growth	Total population & incidence growth	Prescribing growth	Tariff/ Inflation Uplift	Tariff efficiency assumption/ Price Efficiency applied	Net Tariff/ Inflation Uplift
Acute	0.97%	2.00%	2.97%		3.10%	-2.00%	1.10%
Mental Health							3.98%
CHC	0.97%	2.00%	2.97%		4.03%	-2.00%	2.03%
Client Groups	0.97%	2.00%	2.97%		3.10%	-2.00%	1.10%
Primary Care	0.00%	0.00%	0.00%	4.00%	1.00%	0.00%	1.00%
Corporate Budgets	0.00%	0.00%	0.00%		2.00%	0.00%	2.00%
Other Budgets	0.97%	2.00%	2.97%		3.10%	-2.00%	1.10%

Table 6: 2017/18 Planning assumptions

2017/18							
Directorate	Demographic Growth	Non-demographic growth	Total population & incidence growth	Prescribing growth	Tariff/ Inflation Uplift	Tariff efficiency assumption/ Price Efficiency applied	Net Tariff/ Inflation Uplift
Acute	0.97%	2.00%	2.97%		2.20%	-2.00%	0.20%
Mental Health	0.97%	2.00%	2.97%		2.20%	-2.00%	0.20%
CHC	0.97%	2.00%	2.97%		2.20%	-2.00%	0.20%
Client Groups	0.97%	2.00%	2.97%		2.20%	-2.00%	0.20%
Primary Care	0.00%	0.00%	0.00%	4.00%	1.00%	0.00%	1.00%
Corporate Budgets	0.00%	0.00%	0.00%		1.00%	0.00%	1.00%

Table 7: 2018/19 Planning assumptions

2018/19							
Directorate	Demographic Growth	Non-demographic growth	Total population & incidence growth	Prescribing growth	Tariff/ Inflation Uplift	Tariff efficiency assumption/ Price Efficiency applied	Net Tariff/ Inflation Uplift
Acute	1.20%	2.00%	3.20%		2.30%	-2.00%	0.30%
Mental Health	1.20%	2.00%	3.20%		2.30%	-2.00%	0.30%
CHC	1.20%	2.00%	3.20%		2.30%	-2.00%	0.30%
Client Groups	1.20%	2.00%	3.20%		2.30%	-2.00%	0.30%
Primary Care	0.00%	0.00%	0.00%	4.00%	1.00%	0.00%	1.00%
Corporate Budgets	0.00%	0.00%	0.00%		1.00%	0.00%	1.00%

Table 8: 2019/20 Planning assumptions

2019/20							
Directorate	Demographic Growth	Non-demographic growth	Total population & incidence growth	Prescribing growth	Tariff/ Inflation Uplift	Tariff efficiency assumption/ Price Efficiency applied	Net Tariff/ Inflation Uplift
Acute	1.20%	2.00%	3.20%		2.40%	-2.00%	0.40%
Mental Health	1.20%	2.00%	3.20%		2.40%	-2.00%	0.40%
CHC	1.20%	2.00%	3.20%		2.40%	-2.00%	0.40%
Client Groups	1.20%	2.00%	3.20%		2.40%	-2.00%	0.40%
Primary Care	0.00%	0.00%	0.00%	4.00%	1.00%	0.00%	1.00%
Corporate Budgets	0.00%	0.00%	0.00%		1.00%	0.00%	1.00%

Table 9: 2020/21 Planning assumptions

2020/21							
Directorate	Demographic Growth	Non-demographic growth	Total population & incidence growth	Prescribing growth	Tariff/ Inflation Uplift	Tariff efficiency assumption/ Price Efficiency applied	Net Tariff/ Inflation Uplift
Acute	1.20%	2.00%	3.20%		2.40%	-2.00%	0.40%
Mental Health	1.20%	2.00%	3.20%		2.40%	-2.00%	0.40%
CHC	1.20%	3.80%	5.00%		2.40%	-2.00%	0.40%
Client Groups	1.20%	2.00%	3.20%		2.40%	-2.00%	0.40%
Primary Care	0.00%	0.00%	0.00%	4.00%	1.00%	0.00%	1.00%
Corporate Budgets	0.00%	0.00%	0.00%		1.00%	0.00%	1.00%

8.8 South East London risk pool

The CCG has managed within its resources for 2015/16. However, in the previous two financial years it has drawn from the south east (SEL) London risk pool to achieve financial balance. This is managed through a Collaborative agreement approved by all Governing Bodies. These sums have been budgeted to be paid back to the risk pool over the 5-year planning period as shown in table 10.

Table 10: South east London risk pool repayments

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m	£m
SEL risk pool repayments	0	0	0.75	1.75	4.6	7.1

South east London's framework for financial risk management takes the following clear and stratified approach:

- Financial risk managed by individual CCGs and through local shared joint commissioning arrangements
- Financial risk managed through collaborative CCG risk management commissioning arrangements
- Financial risk managed through Mutual Financial Aid arrangements to ensure all CCGs in SEL can collectively support each other to achieve their annual financial duties, in a way that supports the South East London health economy to support sustainable underlying financial balance

- Financial risk managed collectively over 4 years arising from the cost to CCGs of the implementation and transition period of the provider reconfigurations arising from the dissolution of South London Healthcare Trust across SEL. This includes implementation of the Community Based Care transformation programme / Local Care Networks and internal CCG QIPP programmes.

The collaborative agreement also requires all south east London CCGs to set aside 0.25% of RRL into a risk pool as a specific non-recurrent reserve, with access agreed under certain conditions, with the aim of managing financial risk across south east London and ensuring that each of the six CCGs delivers its statutory financial duties, wherever possible. A CCG who would be at risk of not achieving its expected plan (business rules or breakeven) would use the 0.25% to assist in achieving the required position. However, for 2016/17, as a result of changes in the use of the 1% non-recurrent headroom to manage risk, south east London CCGs are not making this available.

8.9 QIPP & service transformation

In 2014 the CCG identified the key priorities for the CCG (within our Commissioning Intentions 2014) and set an ambitious programme of services development, transformation and improvement. The CCG delivered against the majority of its priority areas in 2014/15, making it a milestone year for the CCG and its patients. This was due to work led by the CCG, our patients and clinicians, to redesign a number of services to help join-up care across a number of different providers to ensure patients receive the right care, in the right place, first time. For example, the CCG’s new joined-up musculoskeletal (MSK) service is providing patients with a much more rounded level of care. Patients are initially triaged by a number of health professionals, who help to ensure patients receive the right treatment first time. Patients receive a more holistic approach to their treatment and are offered greater choice about where they would like to receive care. The new service has seen waiting times reduce – from twenty-two weeks to four for physiotherapy appointments. Patient feedback has been extremely positive through the CCG mystery shopper scheme.

Our new integrated Cardiology services (community & acute care) is providing better support for patients focusing on faster access, improved health, prevention and avoiding exacerbations – avoiding admissions to hospitals.

Bexley’s new urgent and unscheduled care service has helped to revitalise Erith hospital as a hub of activity with a new urgent care centre (UCC), in operation from 8am to 10pm daily. The UCC at Queen Mary’s hospital, open 24 hours a day seven days a week, has remained a popular service with patients in Bexley and beyond. The pathway also includes a new borough-based GP out-of-hours service. This new service has helped to reduce the number of Bexley patients accessing accident and emergency departments and in turn, reducing pressure on the overall health system.

The examples above show that NHS Bexley CCG has delivered significant transformation QIPP since its inception. Figure 2 shows the total QIPP for each of the years 2014/15 & 2015/16 and then future years' proposed. The level of QIPP delivered, and its transformational nature, in previous years makes it more difficult for the CCG to achieve significant QIPP from 2016/17 onwards, although it strives to achieve at least 2% in each of the first four years of the five year planning period and continues to evaluate opportunities to further transformational change at both a borough and wider level.

In 2016/17, the CCG needs to deliver £8.5m to achieve its statutory breakeven duty. This is much higher than expected due to NHS England's confirmation that the 1% transformation reserve cannot be committed at the start of the year. This resulted in £1.8m additional unplanned costs for the CCG, which had previously been assumed to be paid from the reserve.

The CCG has a strong track record of delivering service quality improvements (transformation & innovation) that have led to it being successful in delivering its QIPP programmes since 2013. We have robust processes in place to monitor these schemes (via our PMO office). In 2016/17 onwards the cornerstones for our QIPP schemes will be our work on 'OHSEL', together with the NHS 5-Year Forward View.

Our more localised QIPP schemes are:

- Year 1 of our new Integrated and Community Based Pathways for Children and Young People
- Diabetes – new integrated care pathway (primary care lead)
- Improved "frailty" pathways including Comprehensive Geriatric Assessments
- Reductions in non-elective
- Reducing emergency admissions as a result of falls
- Reducing UTIs (GU medicine)
- Ophthalmology – our lead provider framework
- Our GP Referrals project
- Provider productivity (across all contracts)
- End of Life care scheme (linked directly to our Better Care Fund) including improved use of Co-ordinate My Care
- MSK & Cardiology – integrated care contracts continued refinement & improvement
- Corporate Schemes

In 2016/17 £7m of the £8.5m QIPP is backed by these schemes, subject to contract negotiations, with £1.5m yet to be identified. All practices have been engaged in trying to identify new QIPP schemes and as above the CCG continues to review the commissioning for value date to identify further opportunities.

In future years, it is expected that a significant proportion of the QIPP will be identified through the 'OHSEL' strategy.

Figure 5 shows the 2016/17 QIPP split into the 'OHSEL' priorities and figure 6 shows the expected delivery of the QIPP schemes.

Figure 5: 2016/17 QIPP split into the 'OHSEL' priorities

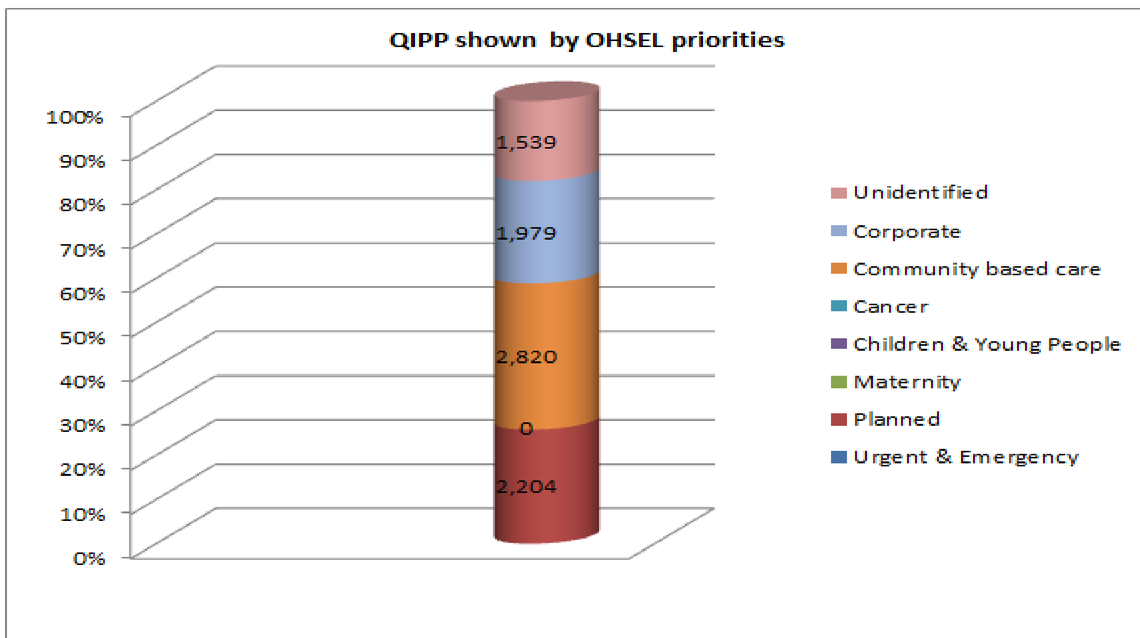
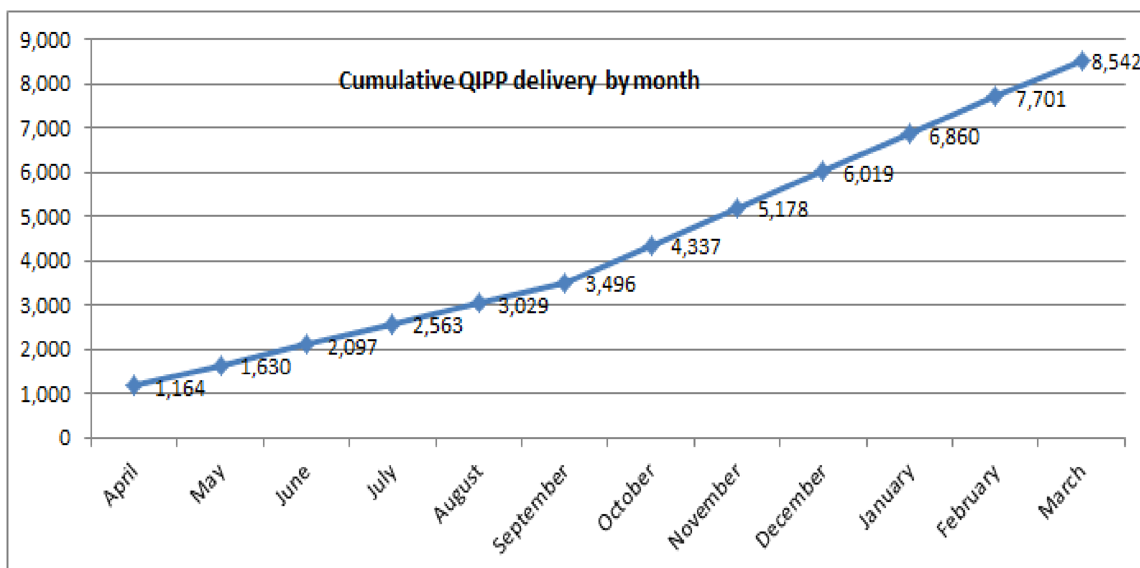


Figure 6: Expected delivery of 2016/17 QIPP schemes



All business cases are supported by a privacy impact assessment, an equality impact assessment and a quality impact assessment to ensure that the quality of the

service is not adversely affected or if a service is reduced that any risk is managed. QIPP schemes are monitored through the CCG's PMO process.

8.10 Better Care Fund

The Better Care Fund aims to reduce non elective admissions which should support the financial recovery plan.

The CCG is working with the London Borough of Bexley to improve integration between health and social services. In Bexley a key focus for the Better Care Fund is reducing End of Life admissions (& admissions in the last year of life) to deliver better outcomes for Bexley patients. Overall it is designed to: reduce non-elective admissions (i.e. emergency), reduce admissions to care homes, reduce falls, reduce delayed transfers of care (i.e. where patients are in hospital when they need not be) and increase re-ablement (all of these are designed to maintain independence and out of hospital or institutional care settings). The CCG will seek to develop an enhanced culture of collaboration through development of Local Care Networks and is working closely with the London Borough of Bexley to promote early identification of carers and early intervention to prevent escalation of need. Further work is also taking place with Greenwich & Bexley Hospice. The Better Care Fund is overseen by the Health & Well Being Board and the CCG's Governing Body. Regular reports on performance are received by both groups.

8.11 Projected financial position 2015/16 to 2020/21

As previously stated, the CCG aims to recover the 1% surplus position over the next five years by increasing the surplus in each of the next four years, as shown in figure 2. Figures 7-11 shows bridge analyses over the 5-year planning period.

Figure 7: 2015/16 to 2016/17 bridge analysis

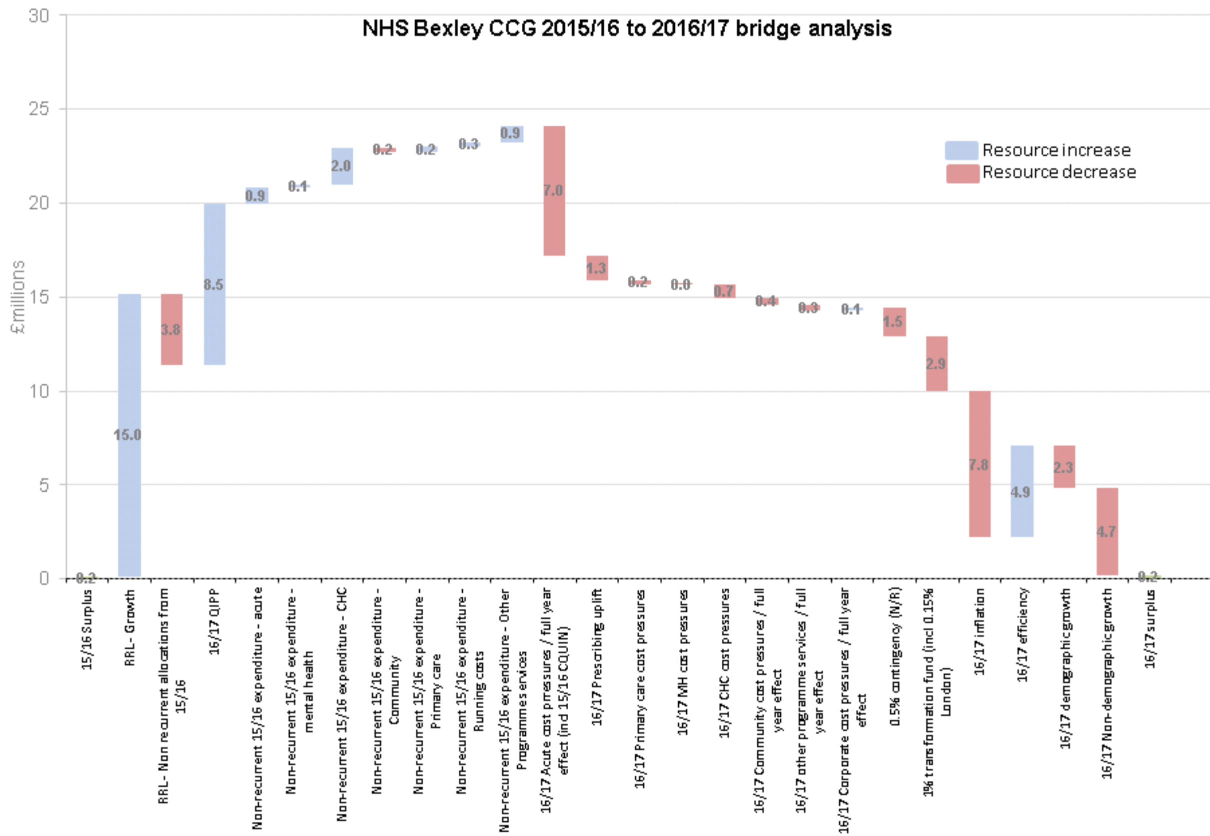


Figure 8: 2016/17 to 2017/18 bridge analysis

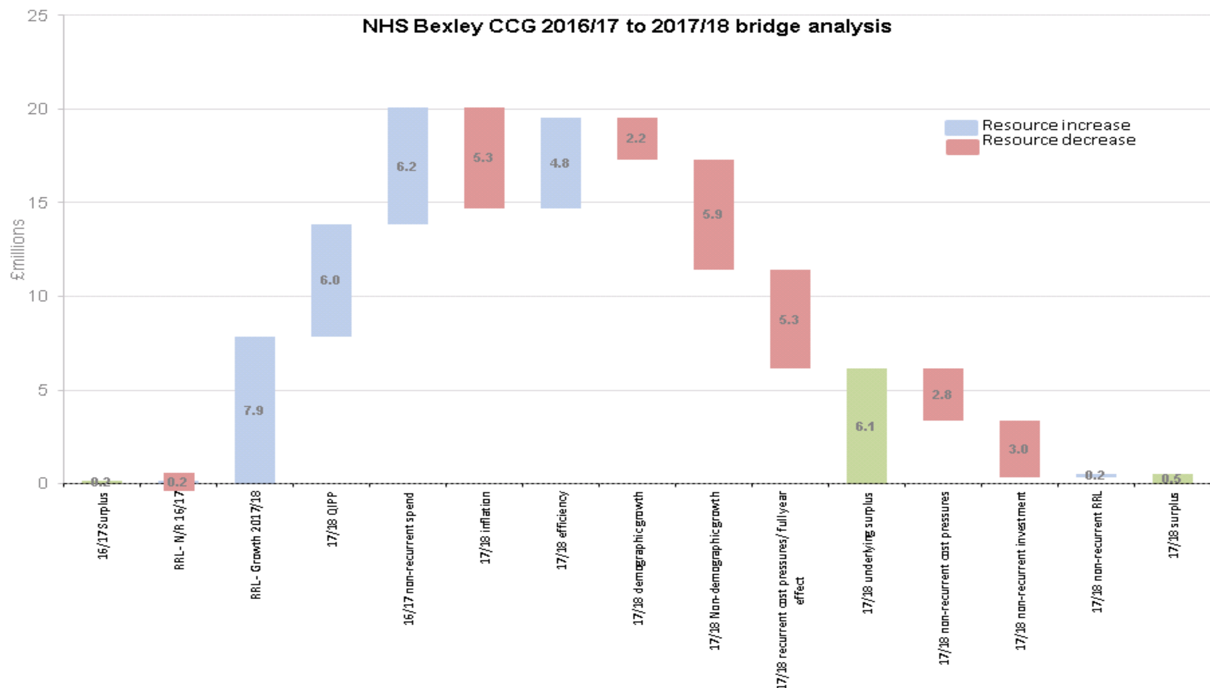


Figure 9: 2017/18 to 2018/19 bridge analysis

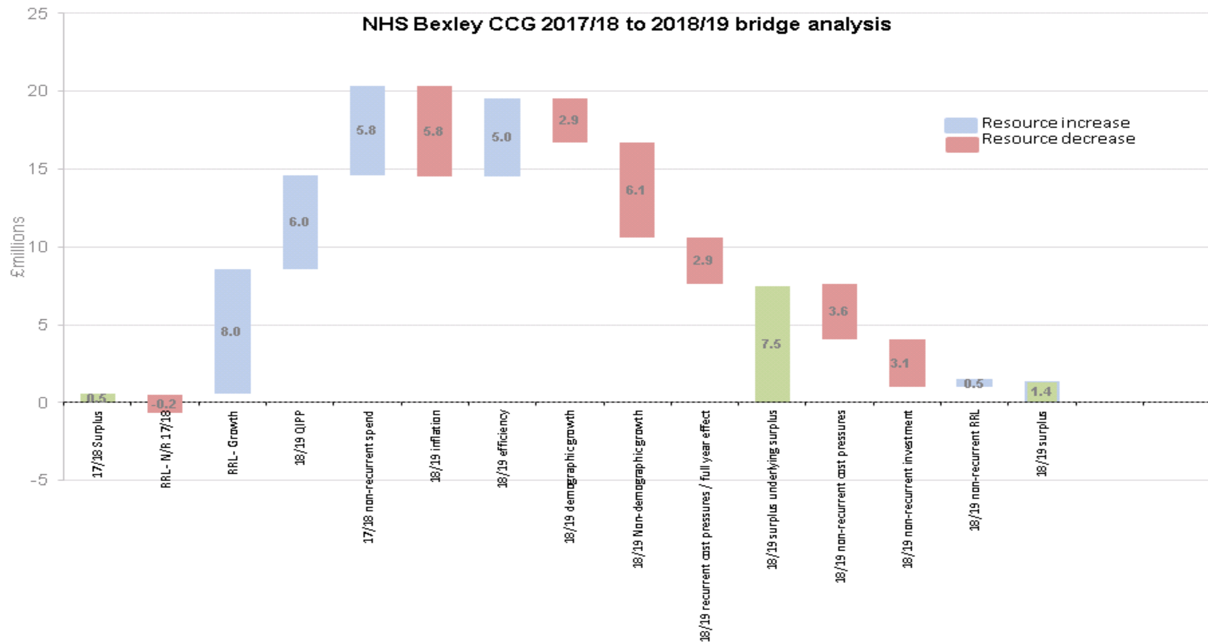


Figure 10: 2018/19 to 2019/20 bridge analysis

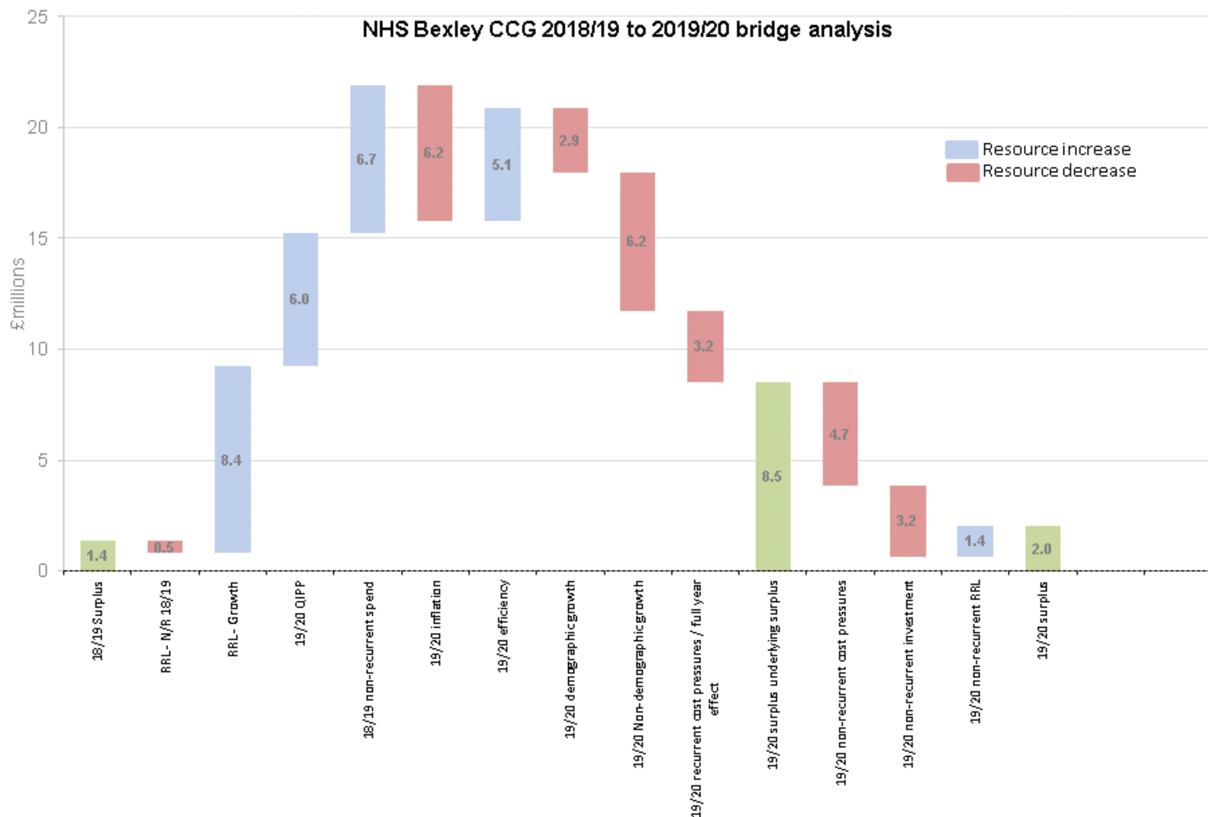


Figure 11: 2019/20 to 2020/21 bridge analysis

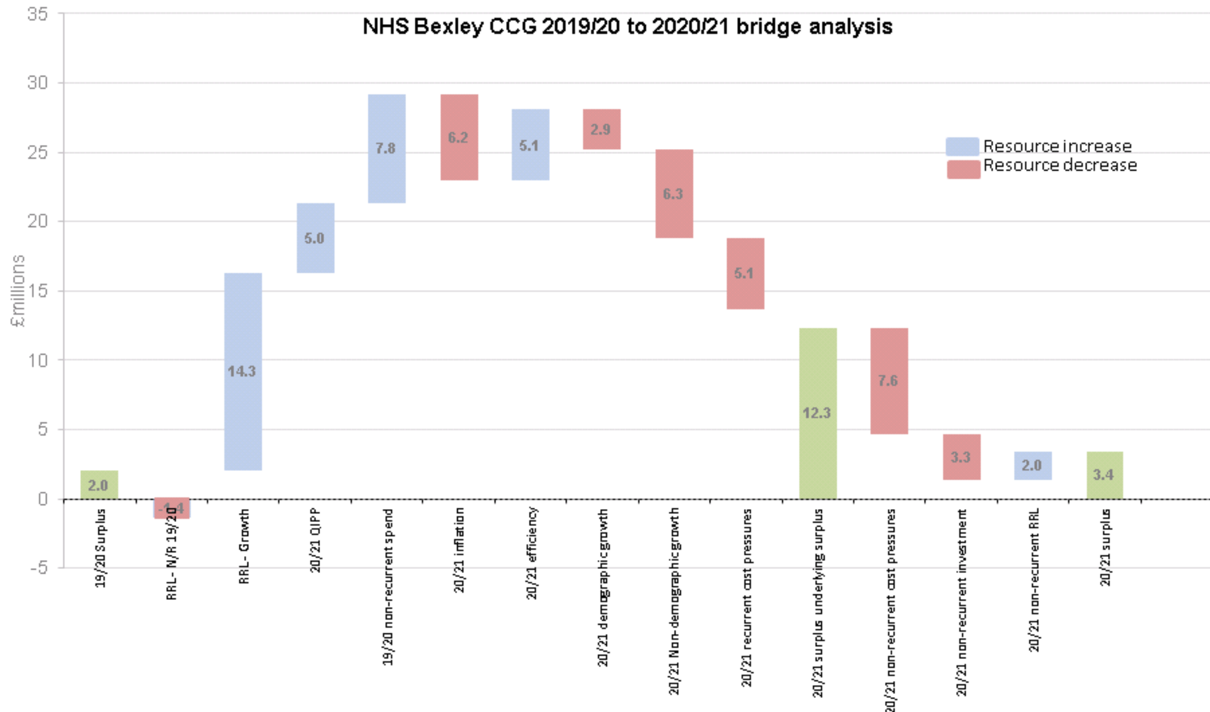
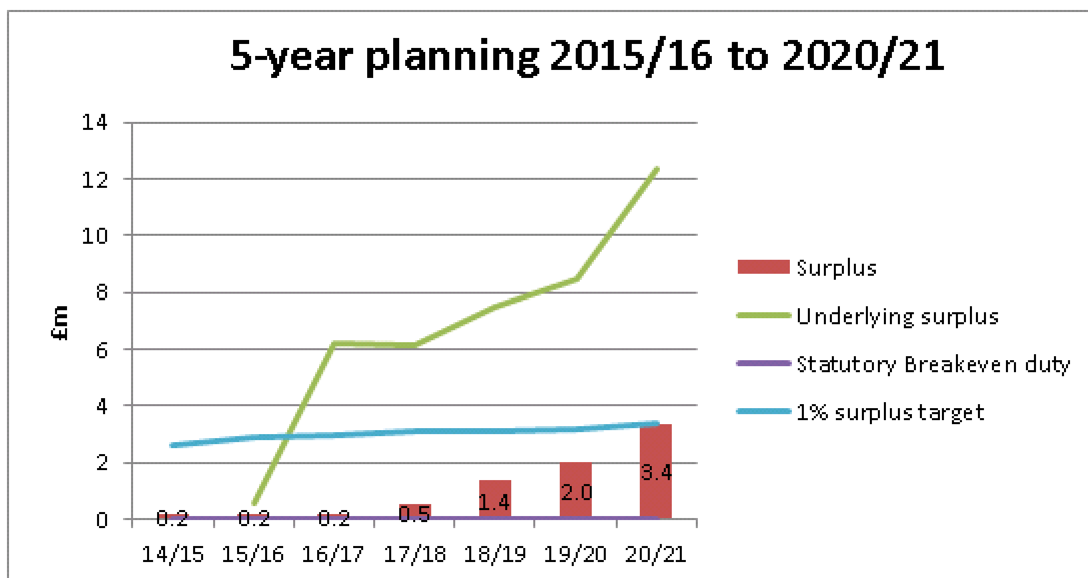


Figure 12: 2016/17 to 2020/21 surplus position



8.12 Risk & mitigation

8.12.1 Risk

The financial plan submitted to NHS England, during April, included £6.9m of unmitigated risk for 2016/17. This is after taking into account the contingency. The CCG has no other reserves and has been advised that the 1% transformation fund cannot be used to mitigate the risks. The assessed risks are shown in table 11. These will become clearer as acute contracts are negotiated.

Table 11: 2016/17 assessed risks

	16/17 Planning Category	2016/17 Worst case £'000	2016/17 Worst case £'000	Planning %	2016/17 Included in Planning	Notes	RAG rating
Opening (deficit)/surplus after final budgets			(6,644.0)	100.0%	(6,644.0)		
RAG rated QIPP included in plans			6,796.0	100.0%	6,796.0		
Opening underlying (deficit)/surplus after final budgets after QIPP			152.0	100.0%	152.0		
Further risk / expected movements							
Neuro rehab implementation	**Acute**	(250.0)		40.0%	(100.0)	Costs still being worked through but some additional costs likely in 16/17	
Underlying issue regarding 2015/16 activity over-performance issues at King's	**Acute**	(1,000.0)		50.0%	(500.0)	Currently being worked through with the CSU and challenges submitted to King's	
Difference on GSTT contract negotiations not covered in baseline	**Acute**	(700.0)		50.0%	(350.0)	Counter offered being prepared	
LGT maternity from 1/10/16	**Acute**	(180.0)		75.0%	(135.0)	O/S LGT issues	
RTT PTL not included in LGT offer	**Acute**	(210.0)		75.0%	(157.5)	O/S LGT issues	
LGT offer above BGL	**Acute**	(1,140.0)		36.0%	(410.4)	O/S LGT issues	
HIPPO arbitration as an admission	**Acute**	(500.0)		36.0%	(180.0)	O/S LGT issues	
Non PbR at LGT 1/10/16	**Acute**	(900.0)		36.0%	(324.0)	O/S LGT issues	
2016/17 acute activity above agreed contract baselines	**Acute**	(3,053.2)		50.0%	(1,526.6)	2% of acute contract baselines	
LAS additional requested investment	**Acute**	(1,045.6)		50.0%	(522.8)	Additional funding / investment requested by LAS - further discussions happening across London	
Prime contractor risks	**Acute**	(2,000.0)		50.0%	(1,000.0)	Issues realting to risk share on prime contractors stemming from activity increases in 15/16	
TSA support for LGT	**Acute**	(1,750.0)		50.0%	(875.0)		
2016/17 QIPP under-performance	**QIPP under-delivery**	(2,183.0)		75.0%	(1,637.3)	CYP, diabetes, ophthalmology, uindentified	
0.5% Primary care QIPP	**Primary care**	(132.2)		50.0%	(66.1)	1% of 15/16 contract outturn (£26.4m) as per NHSE finance report	
Prescribing over-performance	**Prescribing**	(800.0)		50.0%	(400.0)	15/16 over-performance	
Funding reductions on local government	**Other risks**	(500.0)		50.0%	(250.0)	Joint review of SEN/LAC placements with ? Health element from cost pressures summary	
(Deficit) / surplus after risks before reserves			(16,343.9)		(8,434.6)		
0.5% contingency		1,493.0		100.0%	1,493.0		
Commissioning reserve		0.0		100.0%	0.0		
1% transformation fund - balance		0.0		100.0%	0.0		
QIPP reserve		0.0	1,493.0	100.0%	0.0		
Final (Deficit)/surplus after risks & reserves			**(14,850.9)**		**(6,941.6)**		

The 2016/17 risks are explored further below.

8.12.1.1 Neuro Rehab

South East London CCGs have been working with NHS England commissioner colleagues over the last few months to review level 2b neurological rehabilitation services in South East London. This review has taken place in the context of:

• A recognised lack of commissioned level 2b beds in SEL
• Service pressures in NHSE commissioned level 1 and 2a facilities due to the lack of commissioned level 2b beds
• Service pressures in local acute hospitals due to repatriation and rehabilitation delays for level 2b patients driven by the lack of available capacity to support the timely discharge of these patients to level 2b neurological rehabilitation beds.

The indicative cost of this is c£500k in 2016/17 per CCG. However, it is now considered that the majority will be offset by de-commissioning of existing neuro rehab beds with Oxleas NHS Foundation Trust, hence reducing the net risk to the CCG.

8.12.1.2 Additional 15/16 activity affecting underlying position

The CCG has challenged significant over-performance (primarily on ophthalmology) for 2015/16 with King's. As the 'real' value is unknown, no amount has been included in the reported underlying position. A number of issues have been resolved and the remaining risk has therefore been reduced, but remains a risk to the 2016/17 financial position.

8.12.1.2 16/17 acute contracts higher than planning & acute over-performance above contracted levels

The CCG is currently in the process of negotiating 2016/17 contracts. There are still three major contracts to conclude where proposals received from trusts are significantly higher than the values included in planning. This is for a number of reasons including:

- Seasonality requested
- Growth requested
- Local pricing
- Discussions in respect of productivity
- Additional costs requested by Lewisham & Greenwich NHS Trust following an internally initiated report from PWC suggesting that CCGs are under-funding the trust

In addition an element of risk has been included for the possibility of over-performance occurring in 206/17, over and above negotiated contract figures.

8.12.1.3 London Ambulance Service (LAS) additional investment

CCGs across London have been advised by LAS that, following the latest CQC inspection, they require an additional c£40m investment from CCGs in 2016/17. This is further to the two-year investment agreed in 2015/16. This notification was received very late and after initial planning submission.

CCGs are discussing this proposal with LAS and no agreement has yet been made to any additional investment. However, it is possible that an element will need to be paid and consequently a risk has been included.

8.12.1.4 Prime contractor risks

The CCG has in place prime contractor arrangements with GSTT and King's for cardiology and MSK respectively. Discussions are on-going with respect to risk share arrangements to ensure that these contracts continue. These are yet to conclude and any additional costs therefore unknown. A risk has therefore been included in this respect.

8.12.1.5 TSA support for Lewisham and Greenwich NHS Trust

The six south east London CCGs have received a letter from NHS England with an expectation that a £10.5m deficit within Lewisham and Greenwich NHS Trust, resulting from the Trust Special Administrator proposals, is paid over to the trust. The CCGs have responded to this letter and have not included the payment in planning. However, a risk has been included to ensure prudency.

8.12.1.6 Identification and delivery of 16/17 QIPP schemes

The CCG needs to identify a further £1.5m of QIPP schemes in 2016/17 to achieve the required value to meet the submitted £169k planning position. In addition there are a number of identified schemes that need further work to ensure delivery. Work continues to review commissioning for value packs to identify further schemes, and to implement the 'Our Healthier South East London' strategy to reduce acute activity.

8.12.1.7 Primary care QIPP

It has yet to be agreed whether or not all CCGs, regardless of co-commissioning level, will be expected to deliver an element of QIPP in 2016/17. As such, a small amount has been included as a risk; because the CCG already has unidentified QIPP and the likelihood of finding further QIPP, over and above this, is small.

8.12.1.8 Continued rise in prescribing costs

The CCG benchmarks well against AstroPU and it has previously commissioned the University of Keele to undertake an independent study of its prescribing costs. The savings predicted are being achieved with the assistance of dedicated prescribing advisors and a delegated prescribing scheme. Despite this, the CCG is predicting an overspend of c£0.8m in 2015/16. Some of the increased costs relate to drugs

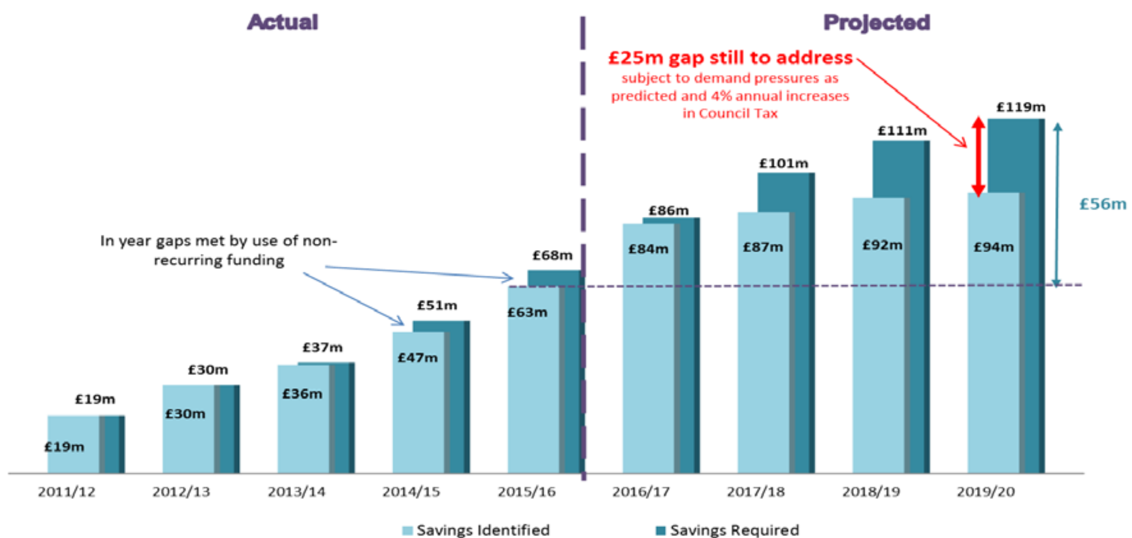
initiated in the acute sector with the expectation that general practice will prescribe them, as opposed to sending patients home with drugs from hospital. Increases are also being seen as a result of increased prescribing of NOACs and vitamin D. There is therefore a risk that, despite setting a realistic budget in 2016/7, this may occur again.

8.12.1.9 Impact of funding reductions on local government

Local government has seen significant reductions in grant funding. In Bexley this is 40% (against the London average of 29%), which has led to a significant savings requirement (table 12). The CCG has already seen an indication that there will be cost pressures in the CCG from these reductions which will give rise to further risk to the CCG's 2016/17 financial position.

Meetings are held between the CCG's and LBB's senior team members on a regular basis which gives both organisations a good understanding of each other's positions. There is also an integrated team in place across the two organisations to help manage risk.

Table 12: London Borough of Bexley savings requirements to 2019/20



8.12.1.10 Potential costs of specialist commissioning transfers to CCGs

Bariatric services are due to transfer to CCGs from NHS England for 2016/17. Work is currently taking place to calculate the funding that needs to transfer, with audits on-going with provider trusts. There is an expected tariff change of +c40% in 2016/17

which needs to be included in any allocation transfer to prevent cost pressures within CCGs. Any waiting times also needs to be factored into allocation transfers.

8.12.1.11 Investment required to implement SEL strategy, Transforming Primary Care or London Health Commission not being available

The CCG will need to invest in implementing the requirements of 'OHSEL' and the Primary Care Strategic Commissioning framework. The costs of this are unknown, and it is hoped that these will be invest to save schemes. However, it is likely that there will be an element of pump priming and double running costs that the CCG will need to invest in. The inability to do this will delay any predicted savings.

8.12.1.12 Commissioning Support services

The service provided by the CCG's current providers is variable which often impacts on the CCG's ability to appropriately manage its acute contracts. The south east London CCGs are currently reviewing services provided by their current provider. Any financial impact of this is unknown for 2016/17 or future years. Any increase will also affect the CCG's charges to the running costs allocation.

8.12.1.13 Additional CCG responsibilities

The CCG will need to invest in additional staffing to cover any additional responsibilities that have been or are intending to be passed back to the CCG. These responsibilities include estates and primary care co-commissioning.

It is important to note that the level of financial risk for the CCG in 2016/17 is currently high. The CCG will take action as far as possible to mitigate this risk.

8.12.2 Mitigations

8.12.2.1 0.5% contingency

The CCG has set aside the required 0.5% contingency. This can be used to partially mitigate the risks outlined above.

8.12.2.2 SEL risk share

South East London (SEL) has a Collaborative agreement and risk share in place, approved by all Governing Bodies. In light of the financial position within Bexley, first call on the Bexley contribution will be to balance the CCG's position. As a result of the arrangements in place to use the 1% non-recurrent headroom reserve this year as risk mitigation across south east London, there is no additional risk share funding available across the SPG in 2016/17.

8.12.2.3 SEL approach to service transformation

The CCG has been working with partners for some time on the OHSEL strategy. It is expected that the savings envisaged will contribute towards NHS Bexley CCG's

recovery plan. This includes the implementation of Local Care Networks which would improve the care of patients within the community and reduce hospital attendances and admissions.

8.13 Governance

The CCG has in place a Star Chamber to review QIPP schemes. A process is in place to change this forum to become a Financial Recovery Group. This group will report in to the Finance Sub Committee, which discusses all matters relating to the CCG's financial position.

9. Summary

The CCG recognises that NHS England is not intending to address the CCG's distance from target but the fact remains that, on current calculations, the CCG remains below target in each of the planning years, which contributes to the CCG's financial difficulties.

The CCG's underlying financial position is reasonably healthy with the difference between the underlying position and the reported position being the non-recurrent commitments in each financial year. These rise over the planning period to take into account the increased contributions to the south east London risk pool.

Despite the distance from target, the CCG has in place a plan to return to a 1% planning surplus over the 5-year planning period. However, the size of this task should not be underestimated. Significant work needs to take place within the CCG and with stakeholders to address increasing activity within the acute sector and to build community and primary care services to drive future QIPP savings for future years. Furthermore, the CCG has reported significant financial risk for 2016/17 which needs to be managed to ensure that the CCG achieves its 2016/17 financial plan.