

Briefing to the Oxfordshire Health and Wellbeing Board

July 2013

Oxfordshire CCG Financial Position

1. Introduction

The first medium term financial plan for Oxfordshire Clinical Commissioning Group 2013/14 to 2015/16 was approved by the Governing Body on 28th March 2013. The high level financial objectives for the CCG in 2013/14 were set out as:

- To achieve a 1% surplus,
- To agree contracts with providers that are Payment by Results (PbR) compliant where applicable,
- To meet demographic driven demand pressures,
- To deliver a robust and credible QIPP plan; and,
- To maintain sufficient financial headroom to manage in-year financial risks.

The Governing Body noted that there remained a material amount of uncertainty in the financial plan at that time and following the agreement of the main contracts for healthcare services an update on the financial plan position was presented to the Governing Body at its meeting on 30th May 2013.

This paper is to brief the Health and Wellbeing Board on the overview of the CCG's financial position, risks and issues.

2. Background

The CCG is the single largest inheritor of the budgets of the former NHS Oxfordshire Primary Care Trust. The CCG allocation for 2013/14 is £667m compared to the c£940m of the former PCT, 71%. This is aligned to the CCG's commissioning responsibilities of:

- Non-specialised community and secondary health care services (including mental health, learning disability, ambulance services, acute and community services).
- Primary care prescribing.
- Continuing healthcare and Funded Nursing Care.

In setting up the new commissioning architecture of the NHS with the establishment of new organisations with new responsibilities there has been a significant amount of work to do to disaggregate budgets, move funding to the correct place, re-negotiate contracts and ensure that the charging for healthcare services follows the funding. This has introduced an element of uncertainty and therefore, risk, while the changes bed down.

3. CCG Financial Plan 2013/14

All CCG's were issued with planning guidance by NHS England which reflects good practice financial planning elements. The outcome of the contract negotiation round with providers which reflected the need to fund cost pressures and invest in services has meant that the CCG is not compliant with the full NHSE planning guidance; however, we have submitted and had our plans signed off. This inevitably leaves the CCG in a position of higher risk around its financial duties and requires a focus on reporting, risk management and mitigation as we move through the year. Any shortfalls or areas of non-compliance against guidance will need to be addressed through CCG's savings and QIPP plans in future years.

The CCG financial position is summarised below as a high level comparison against national requirements.

CCG Compliance with NHS England's Financial Planning Requirements for CCGs					
	NHS England Targets		CCG Actual		Difference
	%	£m	%	£m	£m
Planned Surplus	1.0%	6.6	0.5%	3.3	-3.3
Contingency Reserve	0.5%	3.3	0.5%	3.3	0.0
Non Recurrent Headroom	2.0%	13.2	0.0%	0.0	-13.2
Emergency Marginal Rate Reserve ¹	n/a	7.0	n/a	0.0	-7.0
Total		30.1		6.6	-23.5
1. Some of this funding could be deemed to have been reinvested in admission avoidance initiatives in the County.					

A more detailed CCG financial plan is included as Appendix 1.

4. Key Drivers

As has been indicated the CCG's ability to plan for a fully compliant position has been significantly affected by the demand and cost of healthcare activity in 2013/14. A comparison of how the CCG's budgets have had to change from one year to the next are shown in the following table:

Comparison of material contract/budget changes between 2012/13 and 2013/14					
	2012/13	2013/14	Change		
Contract/Budget line	£m	£m	£m	%	Reason
OUH NHS Trust ¹	238.4	263.4	25.1	10.5%	12/13 activity overperformance
Oxford Health FT	116.8	117.1	0.3	0.3%	
Prescribing	81.4	81.0	-0.4	-0.5%	Efficiency savings to offset growth
South Central Ambulance FT	16.5	19.0	2.5	15.2%	12/13 activity overperformance
Royal Berks FT ²	19.3	18.2	-1.1	-5.7%	QIPP savings targets
Continuing Healthcare	15.0	16.1	1.1	7.3%	12/13 baseline demand
Learning Disability	12.1	12.0	-0.1	-0.8%	
Funded Nursing Care	8.7	11.0	2.3	26.4%	12/13 baseline demand
Non Contract Activity	5.8	7.2	1.4	24.1%	12/13 baseline demand
Total	514.0	545.0	31.0	6.0%	
1. 2012/13 contract value is the CCG's restated estimate allowing for transfer to/from other commissioners					
2. 2013/14 contract value not yet agreed.					

Against our material budgets the cost of additional activity and services to be funded in 2013/14 is in the region of £31m. To meet these commitments the CCG has had to utilise all of its growth funding plus identify savings and efficiencies in the order of £13m. We haven't, at this point, been able to identify the level of savings that would build CCG reserves and financial resilience.

2012/13 witnessed a significant increase in demand for Urgent Care services. A&E attendances were 18% above the planned level at the OUH and emergency admissions 34% above plan.

During 2012/13 (and in previous years) the CCG/PCT have invested in a number urgent care initiatives focussed on delivering the most appropriate treatment, promptly and in settings closer to the patient's home. These include NHS 111, Hospital at Home, Single Point of Access and the Emergency Multidisciplinary Unit at Abingdon Hospital. As these service bed in greater admission avoidance may be expected.

5. Savings and QIPP Programme

The financial headroom available to the CCG is now limited and the delivery of QIPP programmes over the next 3 years will be crucial to ensuring the statutory financial target of breakeven is met. The current financial position is dependent upon delivery of £13m of QIPP.

6. Financial Risk Assessment

There is significant financial risk in year 1 of the CCG's financial plan. This is expected to reduce through year's 2 and 3 of the plan as the CCG is able to address baseline activity pressures and demand through its QIPP schemes. This however, is sensitive to prior year performance and the delivery of the planned underlying recurrent position.

The most material in-year financial risks will be failure of the QIPP initiatives to achieve the planned activity reductions, demand growth beyond that planned for and any negative impacts arising from allocation adjustments. This now includes additional risk from the expanded s75 pooled budget agreements with the County Council.

Risks and issues for the medium term financial plan remain on the same theme i.e. meeting the rising cost and demand for healthcare services. The CCG needs to work with partners to identify new service initiatives and efficiency savings to offset these increasing costs. Failure to manage within resources in-year adds additional financial pressure to the following year and so on.

We know through the JSNA that Oxfordshire faces a significant future challenge as a result of the aging population and the increased needs and demand for services that this brings. Changes to policy, such as the recently announced increases in the s256 transfers from health to social care in future also add risk to the CCG position until there is greater clarity on the source of that funding and the benefits to be delivered.

Appendix 1

	13/14 Baseline	Draft 13/14 Financial Plan	Specialised Commissioning adjustments as at May 2013	Revised values	Post OUH Contract agreement	Revised Plan	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	
Income							
Commissioning Allocation	631,052	645,566	(48,633)	596,933		596,933	
Running Costs Allocation	14,079	16,260		16,260		16,260	
Return of Surplus	0	5,482	0	5,482		5,482	
Total Allocations	645,131	667,308	(48,633)	618,675	0	618,675	
Expenditure							
Secondary + community healthcare							
OUH	309,460	298,638	(46,783)	251,855	9,365	261,220	OUH Contract Value = £263.4m (includes £2.18m Better Healthcare) included in other below
Oxford Health	107,981	109,392	0	109,392	656	110,048	
RBFT	19,254	18,196	0	18,196	0	18,196	
Out of County Providers	9,462	9,335	0	9,335	0	9,335	
Ramsey Healthcare	5,730	5,661	0	5,661	0	5,661	
London Providers	4,087	4,038	0	4,038	0	4,038	
Non-Contract Activity	7,332	7,245	0	7,245	0	7,245	
Other (excluding 'pass through' payments)	14,483	16,084	0	16,084	699	16,783	
Patient Transport	23,378	23,066	0	23,066	0	23,066	
Sub Total Secondary + community healthcare	501,167	491,656		444,873	10,720	455,593	
Continuing Healthcare	15,781	16,126	0	16,126	0	16,126	
Funded Nursing Care	10,726	11,016	0	11,016	0	11,016	
ABI	1,884	1,935	0	1,935	0	1,935	
Equipment	761	582	0	582	0	582	
Mental Health Pool (non Oxford Health)	5,820	6,987	0	6,987	0	6,987	
Learning Disability	12,086	12,007	0	12,007	0	12,007	
Prescribing	77,015	81,019	0	81,019	0	81,019	
Local Enhanced Services	2,168	3,227	0	3,227	0	3,227	
Out of Hours	5,956	5,877	0	5,877	0	5,877	
Other - services hosted for Local Authority	1,538	1,538	0	1,538	0	1,538	
Running Costs	15,883	16,260	0	16,260	0	16,260	
Total Expenditure	650,785	648,228		601,445	10,720	612,164	
Operating Position	(5,654)	19,081	(1,850)	17,231	(10,720)	6,511	
Budgetary Reserves							
Return of Previous Year Surplus	0	0					
Unallocated QIPP	0	(15,992)	15,992	0	0	0	
100% NEL Tariff	0	5,300	(5,300)	0	0	0	
Growth Reserve	0	7,042	(6,042)	1,000	(1,000)	(0)	
Investment Reserve (2%)	0	12,911	(6,500)	6,411	(6,411)	0	
Contingency Reserve (0.5% from 13/14)	0	3,309			0	3,309	0.5% contingency remaining
Surplus	(5,654)	6,511	0	6,511	(3,309)	3,202	0.5% surplus