

HEALTHY
PEOPLE

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in healthy communities



Northern, Eastern and Western Devon
Clinical Commissioning Group

CF06 NEW Devon CCG Financial Commissioning Framework 2014 - 2016



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6.1 Financial Context

Our Intention

- To ensure the CCG has a deliverable financial 5 year plan and strategy to sustain comprehensive and sustainable high quality health services to its population.
- To work on system and health community sustainability rather than simply on the CCG position
- To work with the Area Team to produce the most robust position possible, given the challenging financial position for all organisations

Next Steps and Actions

- Produce full CCG financial framework by 20th December 2013
- Review assumptions against the draft planning guidance issued during publication of this document.
- Achieve consensus on the financial position facing communities and providers within the health and social care community
- Review our allocation across our communities in comparison with national formula, when agreed

Background and Context

The CCG's plan for its £1.1bn budget in 13/14 and the adjustments for in-year performance and specialist services has meant that the CCG's allocation is over committed going in to 14/15 in a number of areas.

Benchmarking helps understand this position – the CCG performs well on emergency admissions and prescribing but invests above average in elective admissions, primary care, high cost placements and has retained a significant level of resources within community services.

In addition some large NHS providers are facing significant financial challenges in 13/14 and looking ahead at future resource levels.

The CCGs commissioning resources will be increased by 2% in the next 2 years and this will be enhanced by reductions to tariff, however this is in huge contrast to the last 15 years.

Whilst allocations are reasonably certain during the next two years, changes in allocation formulae and the Better Care Fund mean the CCG is a facing a medium term reduction of 2%. The CCG is therefore expecting to operate in a flat cash environment over the next two years.

6.2 Financial Framework Requirements

Our Intentions

In order to provide the best environment to allow the whole health community to move towards sustainability the CCG will:

- Re establish a compliant financial framework with:
 - headroom of 2% 14/15 & 3% 15/16
 - surplus of 1%
 - contingency of 0.5%
- Provide for growth in services but at a low marginal cost
- Apply headroom to structural change and transformation
- Establish an agreed and all encompassing approach to use of the Better Care Fund
- Develop further our transformation (QIPP/redesign) plans of 2% building on local commissioning intentions, existing local schemes, local benchmarking and efficiency analysis and NHS England value commissioning pack
- Ensure primary care and specialist commissioners plans and financial frameworks are aligned
- Ensure that the local plans and framework move the CCG towards its strategic intentions and in particular issues of financial and service equity

Background and Context

The CCG was not compliant with national planning guidance for its financial framework in 2013/14. This facilitated the maximum upfront investment in services, but left the CCG with no resources to invest in change programmes and with little ability to manage risks that have emerged in year.

It is clear that this approach has not worked as well as had been anticipated to create the conditions for change and the level of risks experienced has caused major financial concerns for the CCG and therefore the Area Team.

In developing the financial plan the CCG has made reference to assumptions included in '*Strategic and Operational Planning in the NHS*'.

The response to *Call to Action* and the opportunities identified in the '*Commissioning for Value*' insight pack are also included.

In addition, the CCG has developed an approach with its local authority commissioning partners to the *Better Care Fund*.

6.3 CCG High Level Financial Position

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Medium Term Financial Plan	2014-15	2015-16
	£m	£m
Growth 2%/1.9%	22	22
Returned Surplus	0	11
Pace of Change to New Allocation Formula	0	(7)
Tariff Deflator	13	12
Total Sources	34	38
Activity and Drug Growth	11	25
Primary Care (Including Prescribing)	1	3
Complex Care	5	7
QIPP/Savings Requirement	(20)	(15)
Total Applications (Net of QIPP)	(3)	20
Position before Operating Plan Assumptions	37	18
Headroom/Contingency	26	18
Increase in Surplus (1%)	11	(0)
<i>Memorandum: Social Care Transfer/ITF</i>	2	34

6.4 CCG Approach

Our Intention

- To set out the financial outlook
- To produce a financial and service strategy which provides for a sustainable health and social care service
- To finalise the two year plan
- To outline likely impact on provider positions of the planning assumptions
- To set out commissioning and contracting arrangements – including outline application of transformation/headroom fund
- Provide an open and transparent approach to financial planning and the resource impact and availability on commissioners and providers
- Offer a collaborative approach to contracting and commissioning to ensure sustainable service delivery

Engagement and Involvement

- Clear statement on resources
- Compare financial projections with commissioners and providers
- Review current and future plans with commissioners and providers to determine how much of the gap can be filled
- Agree a process for collaborative working to complete the gap
- Meeting with providers 4th December 2013
- Outline financial schedules to providers on 20th December
- Engage facilitated support
- Establish joint scenario planning exercises within the health economy

Next Steps and Actions

- To share final framework on 20th December 2013
- Set out likely impact by locality and provider
- Determine type of contract to be adopted
- Agree process for finalising contract values
- Joint strategic approach to be supported by external strategic planning input
- To review the financial framework developed by the CCG in light of guidance and best practice
- To review the outputs from the service plans to ensure these match with resources set out

6.5 Indicative Financial Exposition

Indicative Financial Envelopes and assessment of impact by locality and provider

The table setting out the provider financial exposition is set out in table x and is based on the following:

1. 13/14 Contract Value

- (a) Less non-recurring variation orders
- (b) Add recurring impact of agreed variation orders

2. Tariff

Tariff reduction set out in planning guidelines and PbR rules will apply to all contracts—the headline rate is 1.6% with adjustments currently being announced through NHS England & Monitor.

3. Outturn

An assessment of the outturn position and its recurring impact on the contract value will be reviewed through the contracting process – opportunities may exist to contribute to the 2% QIPP target and use or otherwise of the allowance for growth set out in the CCG plan.

4. CQUIN

The adjustments for CQUIN will be made explicit in the provider envelope and contract sum. The national rules and local application are set out in the contract intention setting. The financial assumption is that CQUIN will be reduced from the recurring contract sum with financial planning assumption that targets will be met and CQUIN payments made in full to providers.

5. Growth

This has been planned at an overall level of 1% and can be applied to contracts on the basis of an agreed plan.

6. Headroom

The financial plan has allowed for the re-establishment of headroom at 2%. This is planned to be spent with providers to support delivery of the commissioning intentions. It recognises that services may need to be put in place before or as other service changes are implemented. There may also be structural changes to service provision which may also need one-off support before the longer term sustainable solution is implemented.

7. Commissioning Intentions/QIPP

These have an overall target assessed at 2%. This level of financial benefit has been influenced by assessment of achievement in the first year of the 5 year plan. The approach is set out in the pack CF04 Detailed Planning Framework 2014/15.

An assessment has been made on how these service changes impact on providers.

6.6 Any Provider

Any Provider		
		£'000
1	13/14 Contract	x
2	Less: Non-recurring variation orders	(x)
3	Add: FYE variation orders	x
4	13/14 Recurrent contract	x
5	Less: 13/14 CQUIN	(x)
6	14/15 opening contract	x
	Impact of tariff deflator (-1.6%)	(x)
7	14/15 opening financial envelope	x
	Outturn	To be discussed
	Headroom	To be discussed
9	Commissioning intentions - average 2%	(x)
10	CQUIN	<u>x</u>