

Shropshire Health & Adult Social Care Scrutiny Committee

“Explaining Shropshire CCG Finances”



Explaining Shropshire CCG Finances

- * What is the forecast deficit for 15/16
- * What are the main causes of the deficit
- * What is the underlying position
- * Actions in place to control expenditure in year
- * What does it mean for 16/17 Planning round
- * CCG Approach to 16/17

What is the forecast deficit for 15/16?

Plan/Actual	£m
2015/16 Planned Surplus	3.6
2015/16 Forecast Deficit	(6.9)
Overspend against budget	10.6



Key Overspend Areas	£m
CHC	6.6
Acute Contracts	4.0
Total Overspend	10.6

- We started the year with a plan to deliver a £3.6m surplus.
- We have overspent against three key lines of expenditure;
 - Continued Health Care
 - Acute Contracts
 - Preparing for turnaround and winter
- This has created a deficit of £7.9m which is £11.5m adverse to our 2015/16 plan
- This is a change from the widely publicised £10.6m deficit caused, largely, by preparing for financial turnaround.

What are the main causes of the deficit

Key Overspend Areas	£m
CHC	6.6
Acute Contracts	4.0
Total Overspend	10.6

CHC

- We were hit, this year, by invoices totalling £2.2m relating to 2014/15
- 2015/16 budget set on the outturn for 2014/15
- Underlying growth in CHC spend also experienced

Acute Contracts

- We set a plan that would mean activity levels would be similar to 14/15
- We have experienced significant growth in Emergency, Day Case, and Outpatient activity
- We have to pay our hospitals based on activity levels incurred and this has caused a forecast overspend against those contracts of £4m

What is the underlying position

	£m
2015/16 Headline Deficit	6.9
Less Non Recurrent Items	
Brokerage Repayment from 14-15	(3.2)
Prior Year CHC settlements	(2.2)
One off benefits 15-16	1.4
Underlying Deficit	2.9

- The Headline Deficit which the CCG has identified this year contains a significant amount of non recurrent costs.
- Had these “one offs” not occurred then the CCG would have had a deficit of £2.9m this year.
- This deficit of £2.9m will need to be addressed as part of the bigger challenge in arriving at a balanced budget for 2016/17

Actions in place to control expenditure in year

CCG capacity and capability to deliver financial turnaround

In order to deliver the in-year Financial Recovery Plan (FRP), the CCG has reviewed its capability and capacity. As a result, the following measures have already been taken:

- Active management and enhanced leadership from the acting Accountable Officer (AO)

- Reorganisation of the executive team structure so that each executive now reports directly to the acting AO

- 26 key priorities allocated to executives

- Weekly executive meetings to report on FRP actions

- PMO launched from 4th September

- Additional capacity within the CCG

- Additional governance processes relating to the financial position

- Engagement of external specialists for CHC and finance to undertake diagnostics to ensure all savings opportunities have been identified.

- Tender for turnaround team issued with a view to having a dedicated team with the CCG w/commencing 14th December

- Increased grip on expenditure (Vacancy freeze, no off site meetings, Director only authorisation, frozen discretionary expenditure etc)

Increased communication and engagement with GP members, CCG staff, providers and CSU staff

What does it mean for 16/17 Planning round

Size of Challenge	£m
Recurrent Deficit	2.9
16/17 cost pressures	10.1
Total QIPP requirement 16-17	13.0

- The £2.9m recurrent deficit from 15/16 is carried across into 2016/17 planning round.
- National Guidance means we have to plan to have a 1% contingency next year for unexpected cost pressures.
- The forecast net cost of inflation and growth is £6.4m for next year
- This leaves a total efficiency requirement for 2016/17 of £13.0m or 3.5% of our budget

Response to Challenge:

- Focus on delivering remaining efficiencies this year which will roll into next year
- Cost reduction plan implemented – vacancy review and expenditure review
- Idea generation workshops with Executives, Providers and Governing Body
- Fortnightly Financial Recovery Plan task and finish group
- Appointment of a turnaround team from 14th December
- Robust approach to setting 2016/17 Contracts
- Identified as a CCG to receive Right Care Wave 1 support