

## Health Overview and Scrutiny Committee

# Ashford CCG and Canterbury and Coastal CCG Financial Recovery Plan Update

### 1. Introduction

Clinical Commissioning Groups (CCGs) are required annually to ensure that expenditure does not exceed the resource limit provided by National Health Service England.

Recent modelling for the Kent and Medway Sustainable Transformation Programme, indicates that the demand for services is increasing by around 5-6 per cent per annum as a result of population growth, an ageing population, technological advances and rising public expectations.

Funding growth per annum is closer to 2 per cent for the two CCGs.

The imbalance between the increased costs of service and the increases in funding must be bridged by a Financial Recovery Plan based on better value commissioning and savings arising from service transformation and improvement.

In this financial year the Financial Recovery Plan also needs to take account of the impact of savings

This paper sets out the current position regarding the Financial Recovery Plan and identifies immediate actions to address underperformance and lack of delivery where appropriate.

### 2. Underlying Financial Challenge

The underlying financial challenge to the two CCGs as recognised by the Governing Bodies in July is as follows:

- £23m of QIPP transformation pressures
- £15m of contract dispute risk 16/17 and 17/18

- £3m of unfunded management costs (including STP contribution)
- £2m of KCH move risk (strictly a whole East Kent System risk)
- £43m in total

The CCGs had reserves and expected beneficial budget and resource movements of up to £19m to deploy against these risks if recovery plans became stressed.

In August it was planned that the £43m challenge would be addressed by:

- £16m of transformative QIPPs (STP aligned, local care, long-term conditions and frailty).
- £7m of contract concessions and settlements not being required, (following negotiation and agreement).
- £3m of management cost savings, direct and reduced CSU services
- £2m KCH risk being covered by reducing activity across the health economy
- £15m use of reserves
- £43m in total.

### **3. Updated Position September**

The updated position at the end of September will be published in early October, and the following should be noted:

- The overall challenges are likely to alter; with the management cost gap reducing to £1m and the contract disputes impact dropping to £8m and an additional NHS 111/Out of Hours service risk of £1m being recorded. This would give a revised challenge target of £35m.
- However, the available reserve and expected resource balance uncommitted has reduced to around £12m.
- The recovery actions are also behind plan with the exception of the settlement of contract disputes which is broadly to timetable with the benefit already assumed in the reduced contract challenge figure.
- The QIPP programme in general is considered to be at red status in total and individual project level. The main problem is the absence of implementation plans and clear clinical ownership supported by sufficient project resource.
- Detailed plans to reduce management costs, particularly CSU costs are also behind plan.

The QIPP plan and management cost reduction plan are still retrievable but even with the use of available reserves would only yield a benefit of £17m. With the addition of £12m of reserves the total benefit would increase to £29m leaving a £6m gap, or £4m gap if the KCH issue was truly owned at an East Kent level.

Please note all the figures shown above are initial estimates pending completion of the August accounts.

Please also note that there will be other changes in August to ensure consistence across East Kent in terms of presentation but these changes have no net financial impact.

#### 4. Actions to Remedy Delivery and Address Risk

The summary action table that follows sets out the actions in train and planned designed to address the risks to the financial recovery plan co-ordinated by the CFO/Turnaround Director.

<b>Action</b>	<b>Status</b>	<b>Impact from</b>
Require all QIPP PIDs to be updated and extended to include critical path and full implementation plan	In train	September
Increase probability of QIPP delivery through shared risk and delivery contract agreement with EKHUFT	In train	October
Improve programme, project management and reporting arrangements through East Kent Project Management Office, using national reporting tools and standard Prince II approaches	In train	September
Further develop East Kent Project Management Office to an all East Kent system approach	Planned	October – December
Secure additional senior project resource address capacity and capability issues	In train	September
Ensure Accountable Care Organisation Interim Lead Directors concentrate on implementation of Financial Recovery Plan	In train	Directors in role from July, all staff by

		October
Bring forward contingency QIPP items, particularly continuing healthcare, medicines management and elective activity initiatives	In train (recently)	October
Bring forward and review NHS Menu of Saving Opportunities items not already in plans if yield warrants	To be launched September	October

## 5. Driving Delivery and Monitoring Progress

It is intended that the Financial Recovery Plan remains a key part of the following sequence of meetings:

- East Kent Delivery Board, monthly
- Governing Bodies, monthly,
- Finance and Performance Committee, monthly
- Joint East Kent Executive Team, fortnightly,
- Operational Leadership Team, weekly.
- Seek Governing Bodies decision on new actions as necessary.

## 6. Summary

The following points should be noted:

- **The financial recovery challenge to the two CCGs is significant this year, representing some nine per cent of turnover.**
- **The Financial Recovery Plan is currently behind plan.**
- **Remedial actions are in train to bring the Financial Recovery Plan back on line no later than early November.**
- **Risks to delivery of the £43m target currently stand in the region of £8m - £12m.**