

Health Overview and Scrutiny Committee Briefing

Financial recovery in east Kent

January 2018

Introduction

The four CCGs in east Kent individually and collectively are expected to contain expenditure to their given resource limit and this forms the basis of plans submitted at the beginning of the financial year.

In view of the relatively low levels of resource increase received each year by the CCGs and the increases in demand and expectations, CCGs are expected to develop transformation and recovery plans to ensure expenditure still remains within resource limits no matter what the changes in demand and public expectations are.

Overall position as at the end of December 2017

At the end of December the four CCGs were still reporting centrally that financial balance was their target, however there was some £18m of remaining financial risk remaining to resolve by the end of March 2018. £18m represents approximately 2 per cent of the four CCG's turnover.

Of the four CCGs, one Thanet was within a £1m of achieving financial balance, two, Canterbury and South Kent Coast within £5m of achieving financial balance and one Ashford within £12m of achieving financial balance. It should be noted that Ashford started the financial year with a structural deficit of £7m.

Challenges in 2017/18

Apart from the initial financial challenge at the beginning of the financial year, further pressures have become evident as the year progressed including; additional cost pressures arising from the Kent and Canterbury emergency service moves, generally increased pressures on urgent care, financial pressures arising from main contract activity and in respects of placements, drug costs and other items. The overall savings target for the year required to achieve financial balance and address in-year pressures was £96m, around 10 per cent of CCG turnover.

Financial Recovery Plan 2017/18

The financial recovery plan for the four CCGs that was designed to deliver ideally financial balance but certainly no worse than an £18m deficit figure currently represented as an unmitigated risk. The financial recovery plan is made up of four parts:

The delivery of service transformation with a concentration on delivering services locally, out of hospital and in a more integrated way. These initiatives concentrated on services for those with long-term conditions and those who were frail. The original annual target for these initiatives amounted to £36m in a full year. The expected savings this year are £4m with delays in implementation and the retention of hospital capacity during the winter months being the key reasons for under delivery.

Active management of contracts with service providers and others and in particular to ensure that the CCGS only paid for services that had been delivered and delivered to acceptable standards. The original annual target for these initiatives amounted to £44m in a full year. The expected savings this year are £22m with taking a constructive view on long-term relationships and positive service transformation being the main reasons for under delivery.

Enhanced budgetary control, specifically improved medicines management and placement management and better controls over small scale and independent sector contracts. The original annual target for these initiatives amounted to £12m in a full year. The expected savings this year are £4m with the lead in time for placement reviews and unexpected increases in the cost of drugs being the main reasons for under delivery.

Implementation of Kent and Medway agreed NHS menu of opportunity items and reduction in management costs and charges. The original annual target for these initiatives amounted to £4m in a full year. The expected savings this year are £1m with the lead in time for placement reviews and unexpected increases in the cost of drugs being the main reasons for under delivery.

Management of financial recovery programme

This occurs weekly at CCG joint level and monthly in respect of CCG Governing Body and NHS Review. Appropriate discussions take place with partners and contractors. Where required quality and equality impact reviews are undertaken before deciding on any relevant savings proposal.

Initiatives under consideration

The four east Kent CCGs are currently considering implementing a small group of savings schemes based on a Kent and Medway analysis of a list of initiatives that have been introduced elsewhere in the NHS. These initiatives include improved prescribing guidance for gluten free foods, ensuring support for infertility treatment meets NICE guidelines, reducing direct GP use of MRI scans to ensure capacity is available for urgent cancer patients. Decisions on these matters are under consideration and quality impact assessments are currently being progressed. An update on these initiatives will be available in March.