

## **Briefing for Kent Health Overview and Scrutiny Committee on the east Kent CCGs' Financial Recovery Plan: 2018/19 onwards**

### **Background**

In April 2018 the east Kent CCGs produced a financial plan for 2018/19 that generated a £24m deficit, assuming a £19.5m QiPP (the savings programme for CCGs – Quality, Innovation, Productivity and Prevention). This financial plan was approved by the Governing Bodies of the CCGs and NHS England (NHSE). The £24m deficit was matched by £24m Commissioning Support Funding (central funding via NHSE to reduce deficits in CCGs), resulting in a control total of break-even. However, at that time the financial plan also identified unmitigated risk of £16m. By reporting this unmitigated risk, the east Kent CCGs were highlighting the high possibility of over-spending by £16m.

During July and August '18 there was further analysis of the risks facing the CCGs in 2018/19 resulting in an increase in risk value from the original £16m to £41m with a high probability of materialising. This shift in risk of £25m was due to a number of factors including:

- “Optimistic accruals” in '17/18 accounts have resulted in an accumulating deterioration in the underlying financial position of the CCGs in 18/19.
- The financial impact of the '17/18 contract dispute with the CCGs' main provider has been taken fully on the “downside”.
- The main acute contract in 2018/19 was agreed with an activity level below that necessary to achieve the 18-week waiting time target for planned care.
- The main acute contract was set at a value with a built-in over-performance highly likely.

Also, during July and August '18, the 2018/19 QiPP plan was assessed independently as part of the national “QiPP4 programme” (an external review of savings plans in those CCGs forecasting a deficit in 18/19). This review identified potential material slippage of £10m in the QiPP programme unless action was taken. As an immediate response the east Kent CCGs commissioned additional financial turnaround and programme management capacity.

### **Stabilisation and recovery**

With identified risks (£41m) and projected QiPP slippage (£10m), the east Kent CCGs were facing a challenging situation, recognising that full recovery in year was extremely difficult.

Therefore, the CCGs have developed a stabilisation and recovery plan that will mitigate £26m risks resulting in a forecast deficit of £49m in 2018/19 with plans to ensure that the east Kent CCGs move towards balance in 2019/20.

The financial recovery plan includes:

- Increased internal efficiencies in medicines management, Continuing Healthcare contracts and reduced management costs
- Working with providers to ensure consistency of 18/19 activity planning assumptions which recognise commissioner affordability
- Full application of the CCGs' contingency of £5m.

**Conclusion**

A revised Financial Plan was submitted to NHSE that moved the control total deficit for 2018/19 from £24m to £49m, before Commissioning Support Funding. Formal feedback on the plan has yet to be received from NHSE, although indications are positive.