

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.