

**Briefing for Kent Health Overview and Scrutiny Committee (HOSC)
East Kent Financial Recovery Plan July 2020**

Background

In April 2018 the east Kent Clinical Commissioning Groups (CCGs) produced a financial plan for 2018/19 that generated a £24m deficit, assuming a £19.5m Quality, Innovation, Productivity and Prevention (QIPP) programme. 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 of £24m, 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 overspending 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 Expert Determination regarding the service-level agreement (SLA) 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 referral to treatment (RTT) maximum waiting times.
- 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”. 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 senior PMO capacity. This additional capacity and capability existed through-out 2018 and into 2019 improving the internal system and process, increasing organisational grip and facilitating the period of stabilisation and recovery.

Financial performance in 2018/19

In summary, a revised Financial Plan was submitted to NHSE that moved the control total deficit for 2018/19 from £24m to £49m, recognising that there was a further £8m of unmitigated risk that could materialise, before Commissioning Support Funding. The delivery of this recovery plan is based on the foundation of stabilisation in 2018/19, led by the Managing Director and Clinical Chairs, driven by the Executive Directors and owned by the four CCGs in east Kent. It also identified a number of risks that were increasingly difficult to

mitigate; in particular potential over-performance by the acute providers and increasing demand for continuing healthcare (CHC) assessments.

Unfortunately, despite the CCGs over-performing in QIPP delivery and managing further in year additional risk (see the following table), the above unmitigated risk of acute activity performance and increased demand for CHC assessments materialised, resulting in the east Kent CCGs generating a £57m deficit.

Financial Performance in 2019/20 for east Kent System

The east Kent system out turned 2018/19 with a deficit of £99.5m, and a recurrent deficit of £100.7m, a deterioration on the deficits of the previous year.

The system is being asked to deliver a £30m improvement in the recurrent deficit in 2019/20 – see the following table.

East Kent Financial Position	Amount £000s
2018/19 Forecast Outturn - Trust	(42,155)
2018/19 Final Outturn - CCGs	(57,368)
2018/19 Combined FOT	(99,523)
2018/19 Recurrent Deficit carry forward - Trust	(52,250)
2018/19 Recurrent Deficit carry forward - CCGs	(48,452)
2018/19 Combined Recurrent Deficit carry forward	(100,702)
2019/20 Control Total - Trust*	(36,569)
2019/20 Control Total - CCGs*	(33,900)
2019/20 Combined Control Total*	(70,469)

*Excluding PSF/FRF/CSF payments.

To achieve this the CCG was required to deliver QIPP of £35m (4.1 per cent of non-hypothecated spend) and the Trust cost improvement programme (CIP) requirement is £30m (6 per cent of influence-able spend), this is against a backdrop of three years of 5 per cent savings targets but increasing deficits.

The CCGs and Trust signed an aligned incentive contract based around £440m.

By signing the aligned incentive contract with a fixed value, the system was able to:

- increase certainty of income and expenditure for both parties
- release contingency held to reduce the overall system control total gap by £6m
- align focus to deliver transformation of services and drive cost from the system.
- implement a single system PMO, reporting system and reports
- implement joint system management of contingencies to manage total system risk.

In 2019/20 the CCGs and Trust all hit their control totals at year end.

East Kent CCGs Financial Performance in 2019/20

The CCG's in East Kent have completed the year with a small surplus of £0.587m against their control total (the CCG receive additional funds through the Financial Recovery Fund to

bridge the difference between a deficit control total and delivering a break even position which is predicated on delivery on the control total).

This is mainly as a result of planned measures that were put in place mid-year to cover emergent and subsequent materialisation of risks and to cover the shortfall in planned QIPP savings targets.

At Month 12 QIPP delivery amounted to £32.954m, 94.2% of the plan of £35.0m, as shown in the table below. A number of the additional actions (£10.1m) that were required to bring the position back into line are non-recurrent, and will need to be accounted for in planning through 20/21.

Programme	Target Savings	Full Year Original Plan	YTD Actuals	Variance v Original Plan	Variance v Target
Local Care	£ 6,000,000	£ 7,281,992	£ 6,458,000	-£ 823,993	£ 458,000
CHC	£ 4,000,000	£ 3,674,541	£ 3,494,352	-£ 180,189	-£ 505,648
Medicines optimisation	£ 8,000,000	£ 5,192,996	£ 4,954,218	-£ 238,778	-£ 3,045,782
Planned Care inc Right Care	£ 6,000,000	£ 5,534,379	£ 4,005,082	£ 1,529,298	-£ 1,994,918
Children's Services	£ 1,000,000	£ 1,003,998	£ 250,000	-£ 753,998	-£ 750,000
Mental Health	£ 3,000,000	£ 2,431,992	£ 2,930,083	£ 498,091	-£ 69,917
Contracts	£ 7,000,000	£ 6,828,000	£ 716,806	£ 6,111,194	-£ 6,283,194
Additional QIPP Action	£ -	£ -	£ 10,145,873	£ 10,145,873	£ 10,145,873
TOTALS	£ 35,000,000	£ 31,947,898	£ 32,954,413	£ 1,006,515	-£ 2,045,587
					94.2%

As a result of the financial performance in 2019/20, CCG Directions were lifted at the end of February 2020 and the CCGs ended the year with a clear unqualified set of accounts and value for money opinion.

Financial Performance in 2019/20 for Kent & Medway CCGs

All eight CCGs within Kent & Medway achieved a breakeven or small surplus position, and ended the year with clear unqualified sets of accounts and value for money opinions.

K&M CCGs' Month 12 Position (£m) - 2019/20				
	Actual Position (inc CSF)	Excluding CSF		
		Plan	Actual	Variance
NHS Ashford CCG	0.1	-11.1	-11.0	0.1
NHS Canterbury & Coastal CCG	0.2	-10.1	-9.9	0.2
NHS South Kent Coast CCG	0.3	-9.5	-9.2	0.3
NHS Thanet CCG	0.1	-3.2	-3.1	0.1
NHS Dartford, Gravesham and Swanley CCG	0.0	-5.0	-5.0	0.0
NHS West Kent CCG	0.0	0.0	0.0	0.0
NHS Medway CCG	0.0	0.0	0.0	0.0
NHS Swale CCG	0.0	0.0	0.0	0.0
Total CCG Position	0.6	-38.9	-38.3	0.6

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