**Item Number: 9**

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| **NHS VALE OF YORK CLINICAL COMMISSIONING GROUP**<br><br>**GOVERNING BODY MEETING** | NHS<br>Vale of York<br>Clinical Commissioning Group |

**Meeting Date: 3 April 2014**

**Title: 2014/15 to 2018/19 Financial Plan**

| **Responsible Chief Officer and Title** | **Report Author and Title** |
|---|---|
| Tracey Preece<br>Chief Finance Officer | Tracey Preece<br>Chief Finance Officer<br><br>Michael Ash-McMahon<br>Deputy Chief Finance Officer |

**Strategic Priority**

Financial balance and the availability of resources support the achievement of all of these.

**Purpose of the Report**

To brief the members of the Governing Body on the financial plan for 2014/15 to 2018/19. The latter 3 years are in draft only at this stage. To provide information on the key risks in the financial plan at this point.

**Recommendations**

The Governing Body is asked to approve submission on the 4th April of the next draft of the financial plan 2014/15 – 2018/19, based on the information in this paper.

**Impact on Patients and Carers**

Impact of agreed investments, services and contracts on patient care.

**Impact on Resources (Financial and HR)**

Financial plan determines overall use of financial resources for the CCG over the next 5 years.

**Risk Implications**

Key financial risks and mitigations are outlined in the paper.

**Equalities Implications**

No specific impact assessment has been done for the financial plan.

**Sustainability Implications**

Financial sustainability issues are outlined in the paper.

# Financial Plan 2014/15 – 2018/19

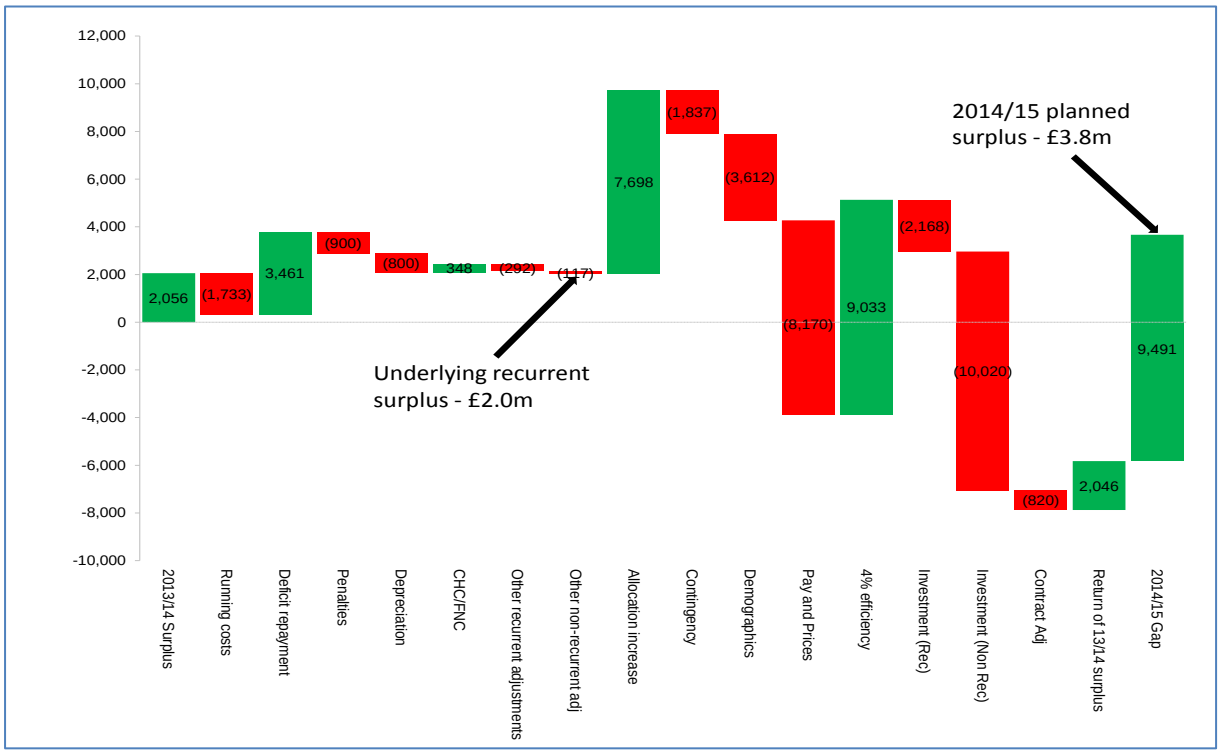
## 1. Introduction

This paper summarises the 5-year financial plan for Vale of York CCG. The templates for submission to NHS England will be consistent with the position outlined in this paper. The first 2 years of the plan are expected to be in greater detail whereas the latter 3 years are only in draft form at this stage and will be subject to further work before final submission in June 2014.

## 2. Forecast Outturn 2013/14 & Underlying Position

The forecast outturn for 2013/14 is £2.06m surplus (0.57%). At the time of writing, as at Month 11, there remains a level of financial risk in delivery of this at full value of £5.1m, but probable value of £2.4m. The CCG is confident that the risks can be mitigated and has plans in place of £2.7m at full value, translating into £2.2m at probable value.

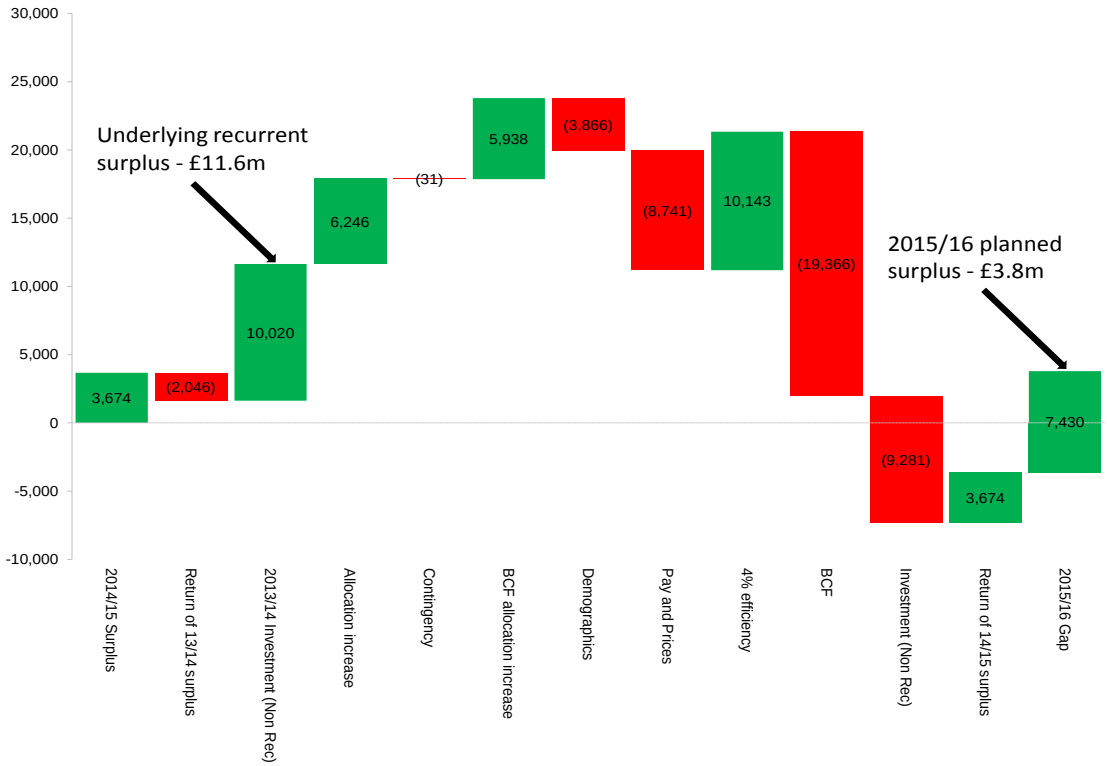
It is important to understand the impact the changes to allocations, business rules and key financial assumptions have on the CCG's overall financial position, specifically the underlying position that will be carried forward from 2013/14. This has been fed into the graphs below for 2014/15 and 2015/16:




The graph shows that after the return of the £1.7m transfer from running costs, the one-off £3.5m repayment of the historic deficit and a series of other in-year adjustments, including the application of penalties on the YFT contract (£0.9m) and GP IT depreciation (£0.8m), the CCG will carry forward a recurrent surplus of £2.0m. It also highlights the fact that the basis for the plans for 2014/15 creates a gap of £9.5m that will need to be bridged in order to generate the required surplus through a combination of QIPP, BCF and contract management and negotiation. The plans to bridge this will be detailed later in this report.

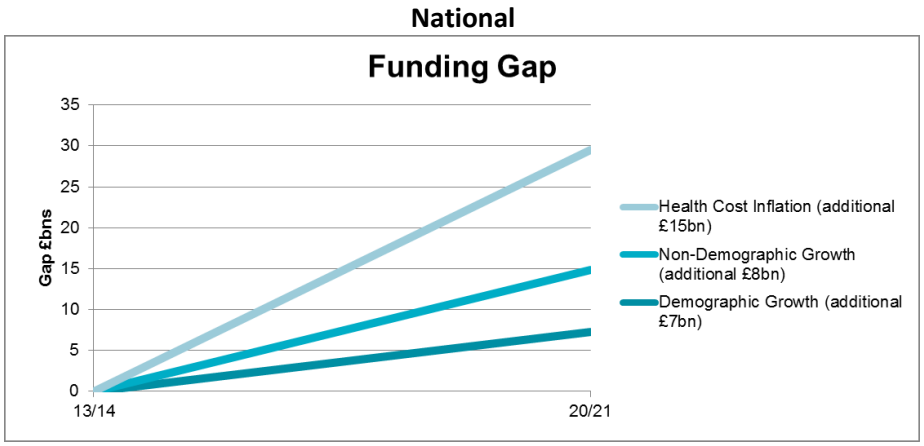
The same approach has been taken for 2015/16, removing the 2014/15 non-recurrent expenditure from the opening position. However, this is not a true underlying position as the same and more has

to be re-provided non-recurrently again in 2015/16. The graph highlights the gap of £7.4m to be bridged to the 1% surplus.




## 3. Financial Sustainability – *A Call to Action* & the Funding Gap

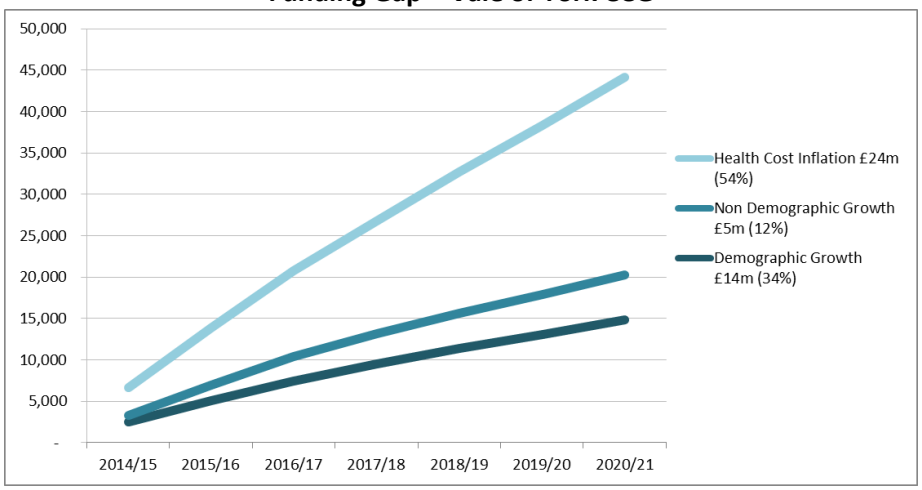
Spending on the NHS in the UK as a share of national income has more than doubled since its introduction in 1948, rising by an average of 4.8% in real terms. This period of rapid growth has now come to a halt but funding pressures on the NHS continue to rise. The NHS in England has been targeting efficiency savings of £20bn by 2014/15 to meet this challenge. Looking further ahead, in July 2013 NHS England published the 'Call to Action', which projected that the NHS may have to make a further £30bn of efficiency savings by 2020/21:




- Health Cost Inflation (pay & prices) – 50%
- Non-Demographic Growth (over & above demographic growth) - 27%
- Demographic Growth (change in population by age band) - 23%

Locally, for the Vale of York CCG, this translates to a funding gap of potentially £44m:

**Funding Gap – Vale of York CCG**




The proportions that relate to inflation and growth are noticeably different locally than the national picture for demographic and non-demographic growth showing that the impact of projected population growth in Vale of York is considerably more than the average nationally.

Ensuring financial sustainability is about finding ways to raise the quality of care for all in the Vale of York communities to the best possible standards, while closing the funding gap at the same time. Fundamentally, this requires a significant shift in activity and resource from the acute hospital sector to the community. There are six key mechanisms that will drive delivery of this:

- Better Care Fund - the funding and implementation of the Better Care Fund has the potential to improve sustainability and raise quality, particularly by reducing emergency admissions. Investment in and reconfiguration of existing community services will provide a robust alternative to hospital admission, reducing the volatility of non-elective acute activity and subsequent financial impact.

- Productivity - there is a planning expectation for acute providers to aim to deliver a 20% productivity improvement in elective care within 5 years. Productivity is about having the opportunity and ability to treat more patients with better outcomes at the same or lower cost.

- Efficiency - this relates to delivering the same service for less cost, time or resource and is a key driver for financial sustainability. It is essential that all parts of the system are innovative, ambitious and transformational in their plans for delivering care in order to help ensure long term financial sustainability.

- Funding mechanisms - NHS England and Monitor have joint responsibility for the payment system for NHS services and they have indicated their intention to review funding mechanisms to ensure they truly support improving outcomes. They will focus on twin themes of operational improvement and creating new patterns of care. The funding and payment system is critical to ensuring financial sustainability for the whole health system.

- Excellence in performance - commissioners are not in a position to be able to pay for quality and performance that does not deliver the best possible care for patients. Creating an

environment and culture where all health, social care and third sector stakeholders can work together to deliver this is critical to helping ensure long term financial sustainability.

- Financial governance – excellence in financial governance in the CCG is key to ensuring financial systems and processes are robust. This will ensure that financial planning, reporting and management are well controlled and directed and that investments and QIPP schemes are subject to appropriate challenge and approval.

## 4. Revenue Resource Limit

Following and extensive review and consultation, NHS England agreed a new funding formula for local health commissioning based on more accurate, detailed data and including a deprivation measure specifically aimed at tackling health inequalities. The new methodology has regard for population on a per capita basis and takes into account both inequalities and the impact of an ageing population on demand for healthcare.

The new 'fair shares' allocation formula puts Vale of York CCG in a position going in to 2014/15 of being under 5% (4.74%) above target and will therefore receive minimum growth over the 5 years of the strategic plan as follows:

| Year | Growth % | Allocation per Head £ | Closing Target Allocation per Head £ | Distance from Target (Above) | Notified Programme Allocation £'000 | Running Cost Allocation £'000 |
|---|---|---|---|---|---|---|
| 2014/15 | 2.14% | 1,062 | 1,027 | 3.46% | 367,439 | 8,312 |
| 2015/16 | 1.70% | 1,072 | 1,039 | 3.11% | 373,685 | 7,476 |
| 2016/17 | 1.80% | 1,100 | 1,071 | 2.79% | 380,411 | 7,471 |
| 2017/18 | 1.70% | 1,111 | 1,084 | 2.54% | 386,878 | 7,465 |
| 2018/19 | 1.70% | 1,122 | 1,097 | 2.27% | 393,455 | 7,460 |

Programme allocations have been published for 2014/15 and 2015/16 and indicative allocations published for 2016/17 – 2018/19 and CCG plans are based on these. An additional recurrent allocation of £5.94m will also be received in 2015/16 relating to the Better Care Fund (BCF) and corresponds to existing funding currently transferring from Health to Social Care.

Running cost allocations have been published for 2014/15 and indicative allocations published for 2015/16 – 2018/19 and CCG plans are based on these. The 10% reduction in running costs planned nationally for 2015/16 is also reflected.

Non-recurrently, the CCG is assuming return of the 2013/14 forecast outturn (FOT) surplus of £2.06m in 2014/15 and from 2015/16 the 1% surplus included in the plans from 2014/15 onwards.

## 5. Business Rules

The business rules published in the planning guidance are included in the plan for 2014/15 and 2015/16 as follows:

| Requirement 2014/15 | Target 2014/15 | Actual 2014/15 | Target 2015/16 | Actual 2015/16 |
|---|---|---|---|---|
| Surplus | 1% = £3.7m | 1% = £3.7m | 1% = £3.8m | 1% = £3.8m |
| Contingency | 0.5% = £1.8m | 0.5% = £1.8m | 0.5% = £1.9m | 0.5% = £1.9m |
| NEL Threshold | £3.4m | £3.4m | £3.4m | £3.4m |
| Readmissions | £1.0m | £1.0m | £1.0m | £1.0m |
| Non-Recurrent | 2.5% = £9.2m | 1.6% = £6.0m | 1% = £3.8m | 1% = £3.8m |
| Better Care Fund | | | £19.4m | £19.4m |

The 2.5% non-recurrent requirement in 2014/15 also includes the following requirements in the planning guidance:

| | | |
|---|---|---|
| Reablement & Carer's Breaks Funding | £2.3m | £2.3m |
| Primary Care Elderly Care Funding | £5/head = £1.7m | £1.7m |

Both of these are provided non-recurrently in 2014/15 with the expectation that all plans will be congruent with wider BCF plans and will form part of the recurrent BCF from 2015/16 onwards.

The PCT historically and the CCG in 2013/14 were not able to create and fund the NEL threshold and readmissions funds due to underlying financial pressures. The CCG has committed to ensuring a transparent financial planning process by re-creating all required lines of expenditure and making active planning decisions. This approach was discussed and approved by the Governing Body in February 2013. £1m has been identified for work to reduce readmissions and emergency admissions and will be governed by the multi-stakeholder Urgent Care Working Group.

The CCG is also required to include £1.4m non-recurrently for payments relating to retrospective continuing care claims made during the period up to 2012/13. This is included in baseline allocations and will be transferred to a national central risk pool where payments will be made from.

The business rules for 2015/16 and beyond are also included, notably the reduction in the non-recurrent requirement to 1% in 2015/16. The CCG is planning to deliver all of these in full by 2015/16 and, as there are no changes to the requirements, on an on-going basis for 2016/17 – 2018/19.

## 6. Running costs

Running costs are planned and anticipated to be within the allocations for each of the 5 years of the strategic plan. Pay and non-pay inflation have been factored into the planning assumptions and increased resource in Governing Body representation, quality, performance, medicines management, procurement and organisational development have been included. The CCG is also planning on increasing its office space to accommodate the increased number of staff and the increased cost of this has also been accounted for. The 10% reduction in allocation in 2015/16 is included from 2014/15 in that recurrent expenditure is being kept below 90% with the remaining 10% being available for flexible use relating to project work and development.

## 7. Planning Assumptions

Published alongside the planning guidance is the Call to Action technical paper. This sets out the key financial and activity assumptions that underpin the £30bn challenge that was published in July 2013. This guidance, together with some additional local work, has been reviewed to develop these assumptions further for the CCG's financial plan.

The core financial planning assumptions over the next five years are therefore as follows:

| Area of Plan | Assumption | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|---|---|---|---|---|---|---|
| Acute | Demographics | 1.5% | 1.5% | 1.4% | 1.4% | 1.4% |
| | Pay and Prices | 2.5% | 2.9% | 4.4% | 3.4% | 3.3% |
| | Efficiency | (4.0%) | (4.5%) | (4.0%) | (4.0%) | (4.0%) |
| Community | Demographics | 1.5% | 1.5% | 1.4% | 1.4% | 1.4% |
| | Pay and Prices | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| | Efficiency | (4.0%) | (4.0%) | (4.0%) | (4.0%) | (4.0%) |
| Community – YFT | Demographics | 0% | 0% | 0% | 0% | 0% |
| | Pay and Prices | 0% | 0% | 0% | 0% | 0% |
| | Efficiency | 0% | 0% | 0% | 0% | 0% |
| Mental Health | Demographics | 0% | 0% | 0% | 0% | 0% |
| | Pay and Prices | 0% | 0% | 0% | 0% | 0% |
| | Efficiency | 0% | 0% | 0% | 0% | 0% |
| Other Services (Incl. Continuing Healthcare and Funded Nursing Care) | Demographics | 0% | 0% | 0% | 0% | 0% |
| | Pay and Prices | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| | Efficiency | 0% | 0% | 0% | 0% | 0% |
| Prescribing | Demographics | 0% | 0% | 0% | 0% | 0% |
| | Pay and Prices | 4% | 4% | 4% | 4% | 4% |
| | Efficiency | 0% | 0% | 0% | 0% | 0% |

In 2014/15, an additional 0.3% pressure in the acute tariff relating to CNST in specific HRGs results in a net tariff adjustment of 1.2% for core acute services. Also included in planning assumptions is an assumed 0.7% pensions pressure for 2015/16 arising from the revaluation of public sector pension contributions and a further 1.4% pension pressure for 2016-17 arising from reforms to the state pension. These are predominately cost pressures for providers and assumed to be funded through tariff. The 1.4% in 2016/17 is however currently an estimate and in practice NHS England and Monitor will need to discuss with central government closer to the time the exact amount of funding pressure that will need to be met by the NHS and any funding arrangements to meet this pressure.

Areas such as prescribing and continuing healthcare, that are not subject to a specific % efficiency requirement, do have QIPP schemes applied in order to continue to deliver efficiency in these areas.

## 8. Local position and alignment

Expenditure on health services in Vale of York CCG covers acute, mental health and community services, primary care, prescribing, continuing care, ambulance and urgent care services and a number of independent and voluntary sector contracts. The CCG footprint also covers three local authority areas. Citizens in the Vale of York area have a wide choice of possible providers, particularly for hospital care and, for many of these contracts, the CCG is an associate to a lead contract held by another CCG. Plans are agreed and aligned for the majority of contracts for 2014/15 and activity and growth has remained stable and predictable.

At the time of writing this report there remains a contractual baseline difference with YFT, but the CCG feels that the key areas of dispute will be primarily price related and not activity related as there is a good degree of alignment between the organisations on underlying activity. This demonstrates that anticipated levels of activity are being commissioned, but the financial gap is considered a key risk to delivery of the financial plan.

The CCG has close working and contract management arrangements in place with all providers and this is particularly important in working with acute, mental health, community, social care and primary care partners in agreeing plans to deliver the required outcomes of the BCF. Considerable work has been undertaken to ensure congruence of strategic plans and that the CCG vision is a joint and shared one. On this, there is excellent local alignment and financially, BCF plans across the three local authorities have been developed in partnership.

The CCG has agreed and approved extensions to key contracts in community and mental health services to ensure that there is stability operationally and financially over the period where services are undergoing transformation and new pooled budget contracts are being agreed.

The CCG also ensures close working with Scarborough & Ryedale CCG as there is considerable alignment with QIPP plans and investments given that YFT is the main provider for both CCGs. This ensures consistency in approach to BCF, QIPP and investment plans and joint quality and performance management arrangements in place during 2013/14 will continue into 2014/15.

## 9. Financial plan detail 2014/15 – 2018/19

The income and expenditure impact outlined above has been modelled on an individual provider basis, as per the monthly financial dashboard headings. This is provided in detail in the table below for the first two years, where the operational position is required, and by area for 2016/17 – 2018/19. It is important to note that the CCG's QIPP plan has not been split out across the areas where it will actually impact and currently appears on its own budget line. This has the added effect that the gap to be bridged by QIPP, BCF and other measures has to show the cumulative effect as the recurrent positions for all other budget lines are overstated for this. This is split to the relevant programme area for the submission of the plan on the 4th April but shown here in this way for transparency.

| Area | 2013/14 FOT £'000 | 2014/15 £'000 | 2015/16 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 |
|---|---|---|---|---|---|---|
| Acute Services | 214,366 | 214,268 | 213,648 | 218,318 | 220,064 | 221,605 |
| Mental Health | 37,325 | 37,798 | 38,188 | 38,188 | 38,188 | 37,798 |
| Community Services | 28,905 | 29,382 | 29,257 | 29,248 | 29,238 | 29,229 |
| Other Services | 29,504 | 28,487 | 29,123 | 29,766 | 30,415 | 31,071 |
| Primary Care | 49,147 | 51,389 | 53,036 | 55,098 | 57,243 | 59,474 |
| Reserves | 0 | 13,922 | 33,116 | 40,201 | 47,455 | 54,906 |
| Gap (QIPP / BCF / Other measures) | 0 | (9,435) | (16,867) | (24,537) | (29,852) | (34,756) |
| **Total Expenditure** | **359,246** | **365,811** | **379,501** | **386,282** | **392,751** | **399,327** |
| In-year Gap (Non-Cumulative) | | (9,435) | (7,432) | (7,670) | (5,315) | (4,904) |

| Area | 2014/15 £'000 | 2015/16 £'000 | 2016/17 £'000 | 2017/18 £'000 | 2018/19 £'000 |
|---|---|---|---|---|---|
| Allocation | 367,439 | 373,685 | 380,411 | 386,878 | 393,455 |
| BCF Allocation | 0 | 5,938 | 5,938 | 5,938 | 5,938 |
| Prior Year Surplus | 2,046 | 3,674 | 3,796 | 3,864 | 3,928 |
| **Total Resources** | **369,485** | **383,297** | **390,145** | **396,679** | **403,321** |
| **Total Expenditure** | **365,811** | **379,501** | **386,282** | **392,751** | **399,327** |
| Surplus | 3,674 | 3,796 | 3,864 | 3,928 | 3,994 |

## 10. Overview of QIPP Schemes

The gap created by the application of the business rules and planning assumptions will need to be bridged by a combination of QIPP, the BCF and other measures, including, but not limited to, decisions around investments.

The plans at this stage are as follows:

| Scheme | Recurrent £'000 | In-Year £'000 | Non-Recurrent £'000 | Total In-Year £'000 |
|---|---|---|---|---|
| **2014/15** | | | | |
| Telehealth cessation of contract | (188) | (188) | 0 | (188) |
| Prescribing (Various projects) | (737) | (737) | 0 | (737) |
| Diagnostics direct access | (500) | (375) | 0 | (375) |
| Emergency Care Practitioners | (1,512) | (1,404) | 0 | (1,404) |
| Care Hub - Selby | (1,650) | (1,650) | 0 | (1,650) |
| Care Hub - Priory Medical Group | (500) | (375) | 0 | (375) |
| Street Triage | (500) | (450) | 0 | (450) |
| Hospice at Home | (675) | (608) | 0 | (608) |
| Neurology | (731) | (183) | 0 | (183) |
| Referral Support Service | (249) | (159) | 0 | (159) |
| Diabetes | (288) | (288) | 0 | (288) |
| Improving Length of Stay | (500) | (375) | 0 | (375) |
| Balance of Schemes under (£0.5m) | (500) | (375) | 0 | (375) |
| Unidentified | (905) | (905) | (1,364) | (2,269) |
| **Total 2014/15** | **(9,435)** | **(8,072)** | **(1,364)** | **(9,435)** |

| Scheme | Recurrent £'000 | In-Year £'000 | Non-Recurrent £'000 | Total In-Year £'000 |
|---|---|---|---|---|
| **2015/16** | | | | |
| Prescribing (Various projects) | (700) | (700) | 0 | (700) |
| Data validation and audits | (1,000) | (1,000) | 0 | (1,000) |
| Ophthalmology service review | (743) | (743) | 0 | (743) |
| Emergency Care Practitioners | (216) | (216) | 0 | (216) |
| Care Hub - Priory Medical Group | (250) | (250) | 0 | (250) |
| Street Triage | (100) | (100) | 0 | (100) |
| Hospice at Home | (135) | (135) | 0 | (135) |
| Further BCF schemes (Various) | (3,035) | (3,035) | 0 | (3,035) |
| Balance of Schemes under (£0.5m) | (694) | (694) | 0 | (694) |
| Unidentified | (500) | (500) | 0 | (500) |
| **Total 2015/16** | **(7,432)** | **(7,432)** | **0** | **(7,432)** |
| **2016/17** | | | | |
| Prescribing (Various projects) | (650) | (650) | 0 | (650) |
| Fracture Liaison Service | (250) | (250) | 0 | (250) |
| Further BCF schemes (Various) | (2,500) | (2,500) | 0 | (2,500) |
| Unidentified QIPP | (4,270) | (4,270) | 0 | (4,270) |
| **Total 2016/17** | **(7,670)** | **(7,670)** | **0** | **(7,670)** |
| **2017/18** | | | | |
| Prescribing (Various projects) | (600) | (600) | 0 | (600) |
| Fracture Liaison Service | (250) | (250) | 0 | (250) |
| Further BCF schemes (Various) | (1,500) | (1,500) | 0 | (1,500) |
| Unidentified QIPP | (2,965) | (2,965) | 0 | (2,965) |
| **Total 2017/18** | **(5,315)** | **(5,315)** | **0** | **(5,315)** |
| **2018/19** | | | | |
| Prescribing (Various projects) | (550) | (550) | 0 | (550) |
| Fracture Liaison Service | (250) | (250) | 0 | (250) |
| Further BCF schemes (Various) | (1,000) | (1,000) | 0 | (1,000) |
| Unidentified QIPP | (3,104) | (3,104) | 0 | (3,104) |
| **Total 2018/19** | **(4,904)** | **(4,904)** | **0** | **(4,904)** |

## 11. Investments

Alongside all of these plans, the CCG also has a series of investment proposals for 2014/15 for consideration. The first of these are the *non-recurrent* plans that form part of the business rules requirements to plan for 2.5% non-recurrent headroom in 2014/15:

| Description | Category | £'000 |
|---|---|---|
| Reablement | Other Programme Services | 1,616 |
| Carers Breaks | Other Programme Services | 700 |
| Primary Care Elderly Funding | Other Programme Services | 1,729 |
| Single Point Access | CH Contracts - NHS | 125 |
| Community services | CH Contracts - NHS | 445 |
| Emergency admissions / re-admissions avoidance (Urgent care board) | Other Programme Services | 1,000 |
| Emergency admissions / re-admissions avoidance | Other Programme Services | 737 |
| Better Care Fund preparatory schemes | Other Programme Services | 2,200 |
| Provisions | Other Programme Services | 1,428 |
| Outpatient follow up audit | Other Programme Services | 100 |
| Care Pathways & Packages project | MH contracts - NHS | 9 |
| Primary Care Funding : OP activity management | Primary Care | 336 |
| **Total** | | **10,425** |

It should also be noted that the expenditure plans outlined above include a series of recurrent investment proposals for 2014/15 that should also be considered separately.

| Description | Category | £'000 |
|---|---|---|
| MND Specialist Nurse | Acute contracts -NHS (includes Ambulance services) | 50 |
| Autism service | MH contracts - NHS | 30 |
| S136 Suite | MH contracts - NHS | 322 |
| Continuing Care | Continuing Care Services | 486 |
| HDFT Corporate Community Accommodation | CH Contracts - NHS | 27 |
| East Riding S256 | Other Programme Services | 32 |
| Hull & East Yorks Specialised services | Other Programme Services | 680 |
| YAS Proposals | Acute contracts -NHS (includes Ambulance services) | 196 |
| Harrogate & District | Community Services | 345 |
| **Total** | | **2,168** |

Investment plans for future years are not developed in as much detail but plans submitted will meet business rules.

## 12. Statement of Financial Position (Balance Sheet)

The financial plan templates include a detailed statement of financial position, previously known as the balance sheet, for 2014/15 and 2015/16. This includes details of assets, liabilities and taxpayers' equity and reconciles to the cash plan. The CCG holds non-current assets, previously known as fixed assets, relating to medical equipment at the independent treatment centre and GPIT.

## 13. Cash

Cash receipts and payments are included in the plan for 2014/15 and 2015/16 and shown profiled monthly. The CCG is expected to manage its cash within the resource allocation available and financial plan demonstrates this.

## 14. Capital

The CCG submitted a capital planning return in December 2013 and, following a recent meeting, the NHS England Finance & Investment Committee has now approved the capital plan for 14/15. This includes indicative allocations for the CCG for 2014/15 and 2015/16 as follows:

| | | 2014/15 | | | | 2015/16 | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of scheme | Description of scheme | Corporate IT | Software Licences and other intangible assets | Capital grants to Local Authorities | TOTAL CAPITAL REQUIRED FOR YEAR | Corporate IT | Software Licences and other intangible assets | Capital grants to Local Authorities | TOTAL CAPITAL REQUIRED FOR YEAR |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| IT replacement rolling programme | Hardware, software / systems and licence purchases for staff as part of formation and core functionality of CCG. | 15 | 10 | | 25 | 15 | 10 | | 25 |
| Capital grants to CYC for community equipment | Grant for capital equipment purchases for Community Equipment Store service within City of York Council. To support hospital discharge. | | | 150 | 150 | | | 150 | 150 |
| Capital grants to NYCC for community equipment | Grant for capital equipment purchases for Community Equipment Store service within North Yorkshire County Council. To support hospital discharge. | | | 50 | 50 | | | 50 | 50 |
| | | 15 | 10 | 200 | 225 | 15 | 10 | 200 | 225 |

The allocation of the budget does not give authority to proceed with the scheme since the approval of each scheme will be required following the development of a business case. This indicative allocation is to give CCGs the confidence that funds are available and the development of a business case is worthwhile. This applies primarily to the IT replacement programme as the community equipment grants are made direct to the respective councils.

Indicative allocations have not been made for the last 3 years of the plan, 2016/17 to 2018/19, but it has been assumed that a similar level of capital spend will be approved for those years.

## 15. Contracting

The NHS standard contract remains the form of contract which commissioners must use for all contracts for clinical services, other than primary care. For 2014/15 the contract retains much of the same structure and content but includes significantly greater flexibility for commissioners to determine duration of contracts and enables innovative contracting models and increased tariff flexibilities and local payment variations. Commissioners are expected to enforce the standard terms of the contract, including the application of penalties.

Details of forecast spend on current contracts for 2013/14 and anticipated contract values for each of the 5 years of the plan are included in the financial template submitted to NHS England. This detail is shown in the 'Financial Plan Detail 2014/15 – 2018/19 section' by contract for the first 2 years and in summary form for the latter 3 years. Contract values for 2014/15 are based on agreed baselines, where contracts have been signed, notified values where these have been received or CCG anticipated values in the case of York FT.

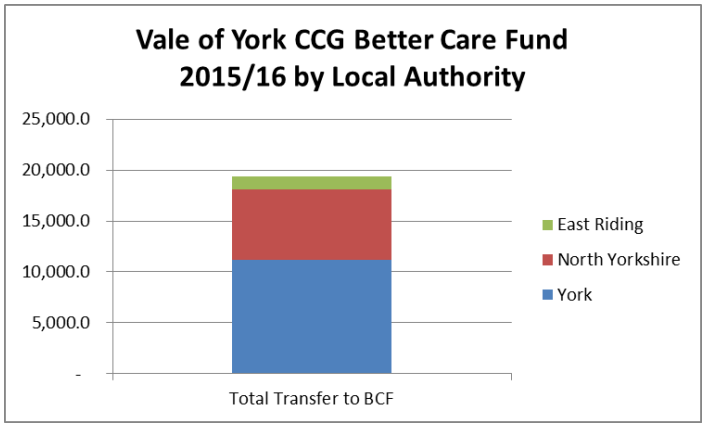
Identified QIPP schemes and Better Care Fund modelling has been done to activity level and included in contract level baselines where these are known.

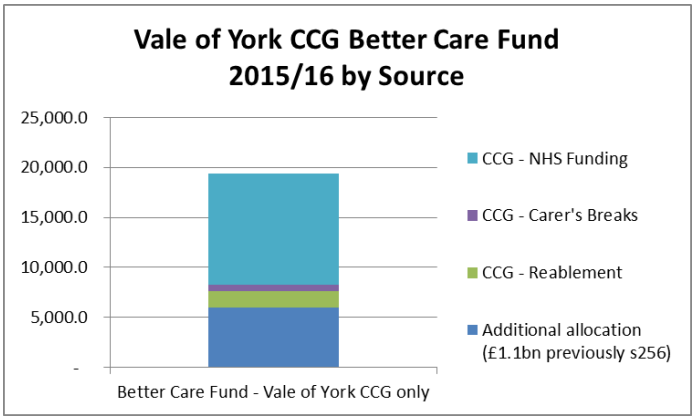
The CCG has invested significantly during 2013/14 in additional contracting team resource and intends to ensure detailed analysis of contract positions throughout the year in addition to conducting audits and reviews of a range of activity areas to ensure counting and coding rules are applied correctly. The CCG has also notified its intention to review local prices in conjunction with York Teaching Hospital NHS FT and will ensure all contractual levers available to it are utilised. The CCG is working closely with York FT to ensure alignment of strategic and operational plans and that contracts support and enable the transformational change required.

## 16. Better Care Fund

The £3.8 billion Better Care Fund that comes into operation in 2015/16 is aimed at supporting the integration of health and social care. The fund is an opportunity for local services to transform and improve the lives of the people that need it most and is a key driver for long term financial sustainability. CCGs must include in their plans the actions they will take in 2014/15 to create the funding required to make the Better Care Fund affordable when it is introduced in 2015/16. For Vale of York CCG, this takes the form of 3 separate BCF plans aligned with the 3 local authorities in the CCG boundary and are submitted as distinct plans in their own right, led by the respective Health and Wellbeing Boards.

For Vale of York CCG, the Better Care Fund in 2015/16 is £19.4m and is analysed as follows:




The total CCG contribution in 2015/16 is £13.4m, the difference being made up by an additional allocation of £6.0m relating to the funds previously transferred directly to social care from the NHS under s256 arrangements. The £13.4m also includes reablement and carer's breaks funding not previously funded by the CCG or the PCT historically.

The BCF in Vale of York CCG will be managed through 3 distinct pooled budgets for each local authority and will be governed by the Health and Wellbeing Boards. Formal s75 agreements will enable the creation of the pooled budgets and transfer of funds from social care to health to contract for agreed services.

Plans in 2014/15 include the actions being taken to ensure that the CCG's contribution to the BCF in 2015/16 is affordable. A significant part of this is the additional non-recurrent planning requirement in 2014/15 of 2.5% compared to 1% in 2015/16.

A proportion of the fund will be performance related with payments linked to progress against national metrics, such as delayed transfers of care and avoidable emergency admissions. Hospital emergency activity is expected to fall by around 15% to generate the savings required to resource the BCF so local plans are focussed on this area of activity.

## 17. Risks and Mitigations

| Area of Plan | Risk | Mitigation |
|---|---|---|
| Acute Services | <u>Specialised commissioning</u><br><br>Issues relating to the correct distribution of resource relating to specialised services have continued through 2013/14. A complete re-base exercise has been agreed but there remains a risk that a further recurrent allocation adjustment from the CCG may need to be made. | The CCG has participated and contributed to all discussions during 2013/14 and is assured that the allocation adjustments made as part of the original 2012/13 baseline exercise and subsequently during the year are accurate. The CCG will be actively involved in the re-base exercise at all stages. |
| Acute Services | <u>Contract overtrade</u><br><br>The CCG has made a number of growth and activity assumptions that it considers reasonable, but there is a risk that activity exceeds this or issues arise in year that haven't been planned for. | Monthly detailed analysis and contract reconciliations done by contracting team followed by monthly Contract Management Board meetings with relevant Trusts will ensure any issues are identified and mitigated early. |
| Acute Services | <u>Difference in contract baselines with York Teaching Hospital NHS Foundation Trust (YFT)</u><br><br>The plan currently includes the CCGs contractual position with the Trust in terms of growth, price and efficiency assumptions and has been by the CCG Senior Management Team. However, there exists a significant risk in this position as the Trust opening baseline offer is considerably greater and contracts have not yet been signed with YFT for 2014/15. | A significant amount of analytical work has been undertaken by the CCG to determine the reasons for the difference and a full reconciliation done. A detailed and formal contract offer has been made to the Trust outlining principles and reasons |

| Area of Plan | Risk | Mitigation |
|---|---|---|
| | | for the CCG offer. Negotiation will continue to ensure the contract signed is realistic and affordable. |
| Prescribing | <u>Prescribing overspend</u><br><br>Growth, pressure, NICE and price assumptions have been made in line with national and Medicines Management advice but the risk remains of overspend due to actual prescribing being in excess of this or unforeseen pressures arising in year. | Detailed monthly monitoring is already in place. Additional investment in Medicines Management resource will enable more detailed work to be done at practice level. |
| QIPP | <u>Under-delivery of QIPP schemes</u><br><br>QIPP schemes are at differing stages of development and while some are well advanced and the risk to delivery is low, others are still being developed and there remains an element of unidentified QIPP in the plan at this stage. | Further QIPP schemes are actively being developed alongside a number of contractual actions and levers to further reduce spend and drive efficiency. |
| Continuing Care | <u>Retrospective cases payments greater than risk pool</u><br><br>A risk pool has been created nationally through a top-slice of funding included in CCG allocations which is deemed sufficient to deal with payment of retrospective cases in 2014/15. The CCG, through the PCU, has agreed a contract to undertake the assessment and payment of these cases during 2014/15 which accelerates the process for patients, families and carers. There is a risk that if the risk pool nationally is insufficient that CCGs will be asked to contribute further. | The CCG will be actively involved with the management of the contract processing the retrospective claims and will receive information nationally on the status of the risk pool so will be able to make a decision to slow the process if required. |
| Mental Health | <u>Costs in 2015/16 and beyond</u><br><br>The current contract with the main provider of mental health services has currently been extended to September 2015 so there remains a degree of uncertainty as to the costs of the service after that point depending on the procurement route undertaken. | The plan assumes a flat position currently with no savings or investment other than specific investments already agreed. Any procurement process will ensure services are contracted within available resources. Decisions on additional further investment in services will be taken through the CCG process for approval. |

| Area of Plan | Risk | Mitigation |
|---|---|---|
| Mental Health | <u>Bootham Hospital</u><br><br>There is a risk of increased costs due to potentially having an interim, disparate service in the short to medium term while a long term solution is agreed. | The provider is covering reasonable costs for the term of the current contract. |
| Better Care Fund | <u>Savings and outcomes not delivered as planned</u><br><br>The CCG will contribute to three funds across three local authority areas. The vision is clearly articulated and stakeholders are agreed but there remains significant risk that the savings and outcomes required are not realised. Investment will have been made in BCF schemes but activity continues to flow to current providers creating significant financial risk. | Governance arrangements are in place for all three local authorities and CCG plans are consistent across all three. Risk share arrangements are being discussed to ensure no one stakeholder holds all the financial risk. |

**18. Summary**

The financial plan to be submitted 4th April is still in development as key contracts are still to be agreed and QIPP plans finalised, but the key principles, planning assumptions and risks underlying the plan are consistent with national guidance and principles agreed by the Governing Body in February 2014. The Governing Body is asked to approve submission of this plan on 4th April 2014.