NHS
Vale of York
Clinical Commissioning Group

2016/17 Financial Plan

1. Executive Summary

The CCG submitted a final one year Financial Plan for 2016/17 on 19 April following presentation of the draft plan at the Governing Body meeting in April. At that meeting, it was known that the draft plan was not likely to be assured by NHS England and the Governing Body gave approval for the Chief Officers and Chair to work with NHS England to agree a plan for submission.

A detailed 5 year financial planning model has also been developed which details the long term financial recovery plan over a four year period and is in the process of being updated to align to the 2016/17 submitted plan. This paper presents a summary of the final submitted 2016/17 Financial Plan which will form the basis of financial performance monitoring through the year. It highlights the risks to this plan, QIPP and savings plans and how the plan meets the NHS England planning guidance and business rules.

The CCG is forecasting a 2015/16 year-end deficit of £6.3m which is £10.2m below plan. A number of non-recurrent actions have been taken to minimise the deficit as far as possible and the underlying recurrent deficit position is £13.5m. The CCG's total notified allocation for 2016/17 is **£435.3m** and planned expenditure is **£448.6m**. This results in the CCG ending 2016/17 with a cumulative deficit of **£13.3m**. This is year 1 of a proposed 4 year financial recovery which sees the CCG return to surplus by the end of 2019/20.

The CCG is classed as an **organisation in turnaround**, and is **not assured** for financial management on the 2015/16 NHS England CCG Assurance Framework.

A robust process has been undertaken to develop the plan with Senior Management Team, Quality & Finance Committee and the Governing Body given regular updates and taking key decisions regarding cost pressures and investment strategy. The plan presented today incorporates these decisions alongside the outcome of meetings with NHS England which helped to determine the final presentation of the plan that was submitted on 19 April.

2. National Context

The spending review in November 2015 provided the NHS in England with funding to support implementation of the Five Year Forward View - an additional £3.8bn in 2016/17 rising to £8.4bn in 2020/21.

The national planning guidance includes a list of 9 'must dos' for 2016/17 which includes returning the system to aggregate financial balance. A £2.1bn Transformation and Sustainability fund has been created to support returning the provider sector to financial balance (£1.8bn) and further transformation initiatives (£0.3bn).

CCGs are required to produce 5 year plans, and to plan as part of a wider health economy footprint in the form of a Sustainability and Transformation Plan (STP). The most compelling and credible STPs will be able to access funding from the sustainability and transformation fund. STPs are to be submitted in June 2016 and are required to describe how they will achieve financial balance across the health system and improve efficiency of NHS services.

Real terms growth for CCGs in 2017/18 is contingent on producing a robust STP in 2016/17 and finance plans must reconcile to activity plans. The STP must demonstrate how the NHS locally will return to balance.

3. Allocations

In order to support long term planning, NHS England has published 3 years of firm allocations with a further 2 years of indicative allocations.

The CCG's notified allocation for 2016/17 includes growth of 3.05% on core CCG allocation and 3.54% on primary care allocation. Average growth across England is 3.4% on core CCG allocations and 4.2% on primary care. The running cost allocation has been held flat overall but the CCG receives growth of 0.7% related to population growth.

Table 1 – notified recurrent allocations (£000)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Core Allocation	382,086	393,744	401,636	409,622	418,141	433,456
- Growth		*3.05%*	*2.00%*	*1.99%*	*2.08%*	*3.66%*
Primary Care Allocation	38,967	40,346	41,143	42,350	43,710	45,461
- Growth		*3.54%*	*1.98%*	*2.93%*	*3.21%*	*4.01%*
Running Cost Allocation	7,476	7,525	7,517	7,510	7,502	7,492
- Growth		*0.66%*	*-0.11%*	*-0.09%*	*-0.11%*	*-0.13%*
Total Allocation	**428,529**	**441,615**	**450,296**	**459,482**	**469,353**	**486,409**
- Overall Growth		***3.05%***	***1.97%***	***2.04%***	***2.15%***	***3.63%***

Allocations are adjusted non-recurrently for any cumulative surplus or deficit. Therefore the CCG's 2016/17 allocation will be reduced by the cumulative deficit at the end of 2015/16 of £6.30m. This reduces the 2016/17 total allocation to £435.3m.

4. Business Rules

NHS England specifies CCG business rules through national planning guidance. The only significant change to the business rules in 2016/17 relates to non-recurrent investments. In previous years CCGs could identify planned expenditure from the

1% non-recurrent investment requirement. However, for 2016/17, this investment must be fully uncommitted at the start of the financial year. CCGs are mandated to hold this reserve wholly uncommitted and any approval to utilise this resource will be subject to NHS England and HM Treasury approval during the year.

The table below shows the business rules and whether the CCG's financial plan for 2016/17 meets them.

Table 2 – CCG Business Rules

Business Rule	Met?	Comments
Cumulative surplus equal to or greater than 1% of allocation	No	
1% of allocation ring fenced for non-recurrent investment	Yes	
Contingency provided for at 0.5% of allocation	Yes	
Increase Mental Health spend in line with allocation growth	No	See section 6.2
Provide for Better Care Fund minimum contribution	Yes	See section 10

5. Growth and Tariff Assumptions

Population growth in the Vale of York CCG area is estimated by NHS England to be 0.6%. Applying growth by age band to acute activity levels gives an estimated impact of demographic growth on acute activity of 1%. Practice registered populations are also growing at a rate greater than 1%.

Uplifts and efficiencies have been provided for in line with national guidance. The national acute tariff includes an average uplift of 1.8% which is made up of 3.1% inflation (including increased pension costs), -2.0% efficiency, and 0.7% impact of increased CNST contributions. There are no other significant changes to the national acute tariff and HRG4 is retained for a further year, postponing the implementation of the next version by at least a year in order to provide the system with some pricing stability. The marginal rate emergency tariff remains at 70% and MFF also remains in place with no changes. There are a number of new pricing models and payment methods developed by NHS England and NHS Improvement currently undergoing testing in pilot health systems and consultation but as yet, none of these are built into the 2016/17 tariff.

Prescribing inflation has been estimated by the Medicines Management Team and is included at 3.28%.

The table below shows the inflation, efficiencies and growth assumptions included in the CCG financial plan.

Table 3 – inflation, efficiency and growth assumptions

	2016/17	2017/18	2018/19	2019/20	2020/21
INFLATION					
Tariff Uplift (Secondary Care)	3.10%	0.00%	0.00%	0.00%	3.10%
Mental Health Uplift	3.10%	0.00%	0.00%	0.00%	0.00%
Voluntary Sector & Hospices	2.00%	2.00%	2.00%	2.00%	2.00%
Prescribing Uplift	3.28%	3.28%	3.28%	3.28%	3.28%
Continuing Healthcare	1.50%	1.50%	1.50%	1.50%	1.50%
EFFICIENCIES					
Tariff Efficiency (Secondary Care)	-2.00%	0.00%	0.00%	0.00%	-2.00%
Mental Health Efficiency	-2.00%	0.00%	0.00%	0.00%	-2.00%
ACTIVITY GROWTH - DEMOGRAPHIC					
Secondary Care	1.00%	1.00%	1.00%	1.00%	1.00%
Voluntary Sector & Hospices	0.60%	0.60%	0.60%	0.60%	0.60%
Primary Care	0.60%	0.60%	0.60%	0.60%	0.60%
Prescribing	0.60%	0.60%	0.60%	0.60%	0.60%
ACTIVITY GROWTH - NON DEMOGRAPHIC					
Continuing Healthcare	2.50%	2.50%	2.50%	2.50%	2.50%

6. Expenditure by Category

The table below shows a summary of planned expenditure by programme expenditure category. Further detail on each category follows as per the section references in the table.

Table 4 – Planned expenditure by category (£000)

	2015/16 Actual Outturn	2016/17 Plan	Section
Acute	229,090	229,112	6.1
Mental Health	42,067	41,794	6.2
Community Services	29,066	27,626	6.3
Continuing Healthcare	25,189	26,395	6.4
Prescribing	50,578	49,738	6.5
Primary Care Co-commissioning	40,018	39,637	6.6
Other Primary Care	6,432	6,747	6.7
Other Programme Services	15,246	14,951	6.8
Contingency	0	2,177	
Reserves	0	4,341	6.9
Running Costs	6,754	6,775	6.10
QIPP target	0	-625	
Total	**444,441**	**448,666**	

6.1 Acute Services

The growth assumptions and tariff uplifts applied are outlined in section 5. The CCG is in the process of finalising contract signature with all providers including where the CCG is an associate to a contract where another CCG is a lead or part of a collaborative. Negotiations with the CCG's main acute provider, York Teaching Hospital NHS Foundation Trust (YTHFT), are largely concluded and contracting teams are working to finalise contract wording and Heads of Terms for final

signatures. These discussions focus on jointly refining the QIPP and CIP plans and where costs can be taken out of the system as a whole in order to close the affordability gap, manage demand and transform services and pathways of care. An affordable level for the acute contract has been discussed and agreed and relies on material cost savings in current patient services.

YTHFT is committed to ensuring financial sustainability in the Vale of York health economy and is working closely with the CCG to reduce costs to an affordable level for the CCG and jointly manage the risk. The CCG has agreed schemes within the CQUIN framework to incentivise transformational change and plans are developing following the publication of the CQUIN guidance in March 2016 which allows CCGs to depart from the national and local indicators that previously formed the structure of the CQUIN scheme and allow CCGs to 'incentivise radical service transformation initiatives'. A system financial plan is also being developed as part of the work for STPs. A York Health Community finance meeting with all stakeholders, including NHS England and NHS Improvement, is arranged for the beginning of June 2016.

The 2015/16 outturn on acute services includes non-recurrent measures put in place to manage expenditure. Penalties of £1.64m were applied across all providers and year end agreements reduced forecast expenditure on a non-recurrent basis for 2015/16. Plans for expenditure with acute providers assume no contract penalties and contracts will be based on underlying activity levels with growth paid at national tariff.

Ambulance services are included under this section and the same growth and uplifts have been applied as for acute contracts. The YAS contract has been agreed across all commissioners in the collaborative.

The impact of services transferred to and from NHS England Specialised Commissioning is currently uncertain. Neurology outpatients transferred in 2015/16 and Adult Morbid Obesity services are expected to transfer in 2016/17 although work is still on-going between NHS England and providers to assess the value of this. Establishment of contact baselines and contract negotiation will be undertaken by NHS England and services will transfer on this basis. It is anticipated that any service transfer would involve an allocation adjustment of equivalent value to the cost of the service. The full review of Identification Rules which determine whether a service is commissioned by CCGs or NHS England Specialised Services has now been delayed until 2017/18 although work to analyse 2015/16 spend by CCG has now commenced.

6.2 Mental Health

The majority of Mental Health expenditure sits within the block contract with Tees, Esk and Wear Valley NHS Foundation Trust (TEWV). An uplift of 1.1% has been applied to the contract in line with acute tariff assumptions and guidance. 2016/17

will be the first full financial year of the new block contract with TEWV, which commenced on 1 October 2015.

The contract with TEWV includes all out of area placements and some placements which were previously classed as out of contract, both of which were charged to the CCG on an individual cost basis. Both out of area placements and out of contract expenditure had been increasing which resulted in a non-recurrent overspend of £2.1m between April and September 2015. The increase in out of contract expenditure was largely as a result of s117 legislation relating to homecare packages and is a pressure that continues in to 2016/17.

The CCG is required to demonstrate parity of esteem – i.e. that it's total planned expenditure on Mental Health Services (including Mental Health expenditure in a non-Mental Health setting e.g. acute admissions, voluntary sector, prescribing) has increased when compared to 2015/16 outturn by at least the level of CCG allocation growth (i.e. 3.05%). Where this is not the case, a supporting commentary must be submitted to explain the rationale behind the proposed level of spend. Due to the re-procurement of Mental Health during 2015/16, total spend has decreased and recurrent spend has increased, although not by the required amount to meet the parity of esteem requirement. However, the procurement has resulted in a contract that will deliver a materially different and improved service specification for patients and better value for money for the CCG particularly around out of area placements where these are now managed in a significantly more efficient way by TEWV. The CCG also has increased certainty of expenditure and, following the opening of inpatient beds in York in the summer, significantly fewer patients placed out of the Vale of York area.

There remains a degree of risk on remaining out of contract expenditure where work is continuing to establish a robust and accurate baseline position.

Investment in 'Futures in Mind' CAMHS services has been provided for at a level agreed in collaboration with the other North Yorkshire CCGs and Local Authorities.

Table 5 – Mental Health expenditure and Parity of Esteem (£000)

	2015/16 Forecast Outturn			2016/17 Plan		
	Recurrent	Non recurrent	Total	Recurrent	Non recurrent	Total
Core Mental Health spend	40,079	2,114	42,193	41,794	0	41,794
Spend on Mental Health in other areas	4,358	257	4,615	4,151	33	4,184
Total Mental Health spend	**44,437**	**2,371**	**46,808**	**45,945**	**33**	**45,978**
Growth				*3.39%*		*-1.77%*

6.3 Community Services

In 2014/15 and 2015/16 the CCG funded inflation on the community services contract with YTHFT on a non-recurrent basis. This followed discussions with YTHFT which highlighted a shortfall in the community contract, comparing costs with income, dating back to the transfer of community services from Primary Care Trusts

in April 2011. The 2016/17 plan continues to fund previous levels of inflation in order to address the funding gap and protect services to patients in the community in line with the CCG's vision for future service provision. This is now provided for on a recurrent basis in recognition of the recurrent costs to the provider of the community service contract, and the CCG's commitment to the future of community services. Further inflation for 2016/17 has been included at 1.1% on the YTHFT community contract in line with national guidance.

Community services also includes expenditure on hospices, which has a 2% uplift to grants. The CCG have carried out a benchmarking exercise to compare contributions by other CCGs in the local area to hospice services, and this uplift brings us more in line with others and towards the national average funding for hospice grants of 30%.

6.4 Continuing Healthcare

Continuing Healthcare services are managed by the Partnership Commissioning Unit (PCU) on behalf of all 4 North Yorkshire CCGs, and the planned expenditure has been developed in conjunction with the PCU. The CCG has continued to see increased expenditure on continuing healthcare with an increase in both number and average cost of packages in place. The financial plan therefore includes 2.5% growth to take account of population growth and increased demand in this area. An inflationary uplift of 1.5% is also included, which reflects increased staffing costs for providers of continuing healthcare packages. The PCU has developed QIPP plans focussing on increasing reviews for CHC packages and these are included in CCG plans, although with a level of risk at this stage until plans are finalised with start dates and milestones agreed. The CCG is undertaking an in-depth financial review of all PCU areas of spend with a view to increasing knowledge and understanding across CCG staff and identifying further opportunities for efficiencies. The scope of this work has been agreed and work on this review commenced in March 2016.

The national risk pool for continuing healthcare claims prior to 1 April 2013 has decreased. The CCG's contribution to the national risk pool was £1,002k in 2015/16 and has reduced to £401k for 2016/17 which is provided for in the plan.

The weekly rate for Funded Nursing Care (FNC) packages is undergoing national renegotiation. The CCG's financial plan currently provides for an increase of £5 per week on the current rate of £112 per week.

6.5 Prescribing

Prescribing budgets have been increased by 3.28% inflation in line with recommendations from the Medicines Management Team, and 0.6% demographic growth. The Category M price list for Q4 in 2015/16 resulted in reduced prescribing costs for CCGs – this has been estimated as £958k full year effect for Vale of York CCG and this has been built into the plan for 2016/17. QIPP priorities for prescribing

have been agreed with Council of Representatives and GP Prescribing Leads and a detailed plan is being developed.

6.6 Primary Care Co-commissioning

Development of the Primary Care Co-commissioning plans has been guided by the NHS England Area Team who will continue to support the CCG in commissioning primary care during 2016/17. The impact of the GMS global sum uplift and PMS baseline uplift have been included, as well as demographic growth of 0.6%.

The requirement to provide for 1% of allocation as non-recurrent spend, and 0.5% of allocation as a contingency also applies to the primary care allocation and these are fully provided for.

The plan provides for the primary care expenditure plan for 2016/17, the 0.5% contingency and 1% non-recurrent requirement and the remainder of the primary care allocation has been ring fenced for investment in primary care.

Reinvestment of funds released from the PMS contract for 2016/17, phased over 4 years, will be determined at the Council of Representatives meeting in May 2016.

6.7 Other Primary Care

Other Primary Care includes Local Enhanced Services, Home Oxygen, Primary Care IT, and Primary Care Out-of-Hours, none of which have changed materially. In previous years Primary Care IT (GPIT) has been an additional allocation, but for 2016/17 onwards this is included within the core CCG allocation and is therefore a cost pressure to the CCG.

6.8 Other Programme Services

Other Programme Services includes Patient Transport Services, Voluntary Sector contracts and the NHS 111 service, none of which have changed materially. The NHS 111 contract has a ‘floor and cap’ arrangement which means that there is no risk of overspend as the CCG has provided for the proposed ceiling level.

This section also includes expenditure on the Better Care Fund (BCF) which is described in section 10. The 2016/17 plan for Better Care Fund includes reinstatement of the performance fund in order to meet the minimum contribution to BCF.

No assumptions have been made about funding from the Quality Premium in line with guidance.

6.9 Reserves

The £4,341k in reserves is made up of the 1% non-recurrent investment requirement on both the CCG core and Primary Care allocations.

6.10 Running Costs

Running costs are planned to be in line with the running costs allocation and deliver an efficiency saving. The main change to running costs expenditure is due to the movement of commissioning support services from Yorkshire and Humber Commissioning Support Unit to the new providers eMBED and North East Commissioning Support Unit. Other services have been in-housed, resulting in an increase in direct pay costs, or shared via hosting arrangements with other CCGs.

Pay budgets are being set in line with national Agenda for Change and HMRC guidance. A 10% savings target has been set on each department's budget which will contribute to the CCG's QIPP target. All budgets will be signed off by budget holders by 30 June 2016.

The Governing Body gave formal approval for the running costs budgets at their meeting in April, giving budget holders approval to commit expenditure in line with the CCG Scheme of Delegation and within their departmental budget.

7. Cost Pressures and Investments Requiring Governing Body Approval

In addition to the growth and tariff assumptions reported in previous sections, the 2016/17 financial plan includes £1.7m of cost pressures and investments which require governing body approval. These are shown in the table below.

Table 6 – Investments for approval

Investment	£000	Comments
Reinstate BCF Performance Fund	1,863	Required to meet BCF minimum contribution
Reduction of BCF additional social care protection contribution to minimum contribution only	-1,243	Reducing contribution to social care protection allows current community expenditure to be 'lifted and shifted' into BCF, i.e. reclassification of existing spend
Uplift on hospice grant (2%)	23	Increase to grant to bring contribution in line with other local CCGs
CHC inflation / increase in packages	853	Based on growth in demand and increased cost of packages
Coding and counting notification - York Trust	202	Notified changes in line with national tariff guidance
Public Health LES schemes	280	Provision of long acting reversible contraceptive service, previously funded by public health but where relating to gynaecological reasons this is a CCG commissioned service
Mental Health Futures In Mind - Schools project	117	Identified as a priority for CAHMS in line with other North Yorkshire CCGs
De-commisisoning of case managers and community matrons	-485	To be reinvested in community services through the Better Care Fund
Full Sutton Out of Hours Primary Care contract	88	Historically funded by NHS England, this service is now CCG responsibility and NHS England have ceased funding
Total investments for approval	1,697	

8. QIPP

In order to deliver the 2016/17 financial plan the CCG needs to deliver £12.2m of QIPP savings. This represents 3.1% of the CCG's core allocation.

The NHS England planning guidance requires CCGs to tackle unwarranted variation in demand through implementing the Right Care programme. The CCG are in the process of reviewing the Right Care benchmarking data and have identified four specialties to prioritise – MSK and Trauma & Injury, Heart Disease, Respiratory (COPD) and Diabetes.

The CCG prescribing leads have gathered Council of Representatives and practice opinions on QIPP priorities and will focus on reviewing managed repeats/ordering of repeat prescriptions by community pharmacists and appliance contractors (and medicines waste), therapeutic switches, and high risk patients in 2016/17.

Roll out of Integrated Care Teams through the Better Care Fund programme is expected to deliver reduced acute activity, focussing on non-elective admissions and emergency department attendances.

QIPP schemes have been grouped into five principle work streams – Primary Care, Community and Integration, Urgent Care, Prescribing and Planned Care. Further QIPP schemes in Mental Health, CHC, Non-Contracted Activity and Running Costs are also included. Each department within the CCG has a nominated lead for each work stream. Development and implementation of the CCG's QIPP schemes will be managed through the project management system and will be linked to the corporate risk register.

A summary list of identified QIPP schemes is shown in the table below, with a RAG risk rating relating to confidence of delivery. The schemes included on here are subject to more detailed development and the assumptions around savings may change as this work continues. A detailed QIPP programme by work stream is included in the Operational Plan.

At the time of writing, the areas within the Demand Management and Cost Reduction scheme with YTHFT have been identified although the specific details of how these will be delivered are being developed. Detailed plans are expected and planned for mid-April 2016.

The chart below shows the QIPP target of £12.2m and a summary of the plans that deliver this. There is estimated risk in the QIPP programme of £6.7m plus further risks of £2.5m. This risk is mitigated partly by the contingency and contract management and demand control measures but unmitigated risk of £7.1m remains.

Identification of QIPP opportunities and development and scoping of plans is an on-going process and will continue through 2016/17.

Chart 1 – Analysis of Summary QIPP Plan

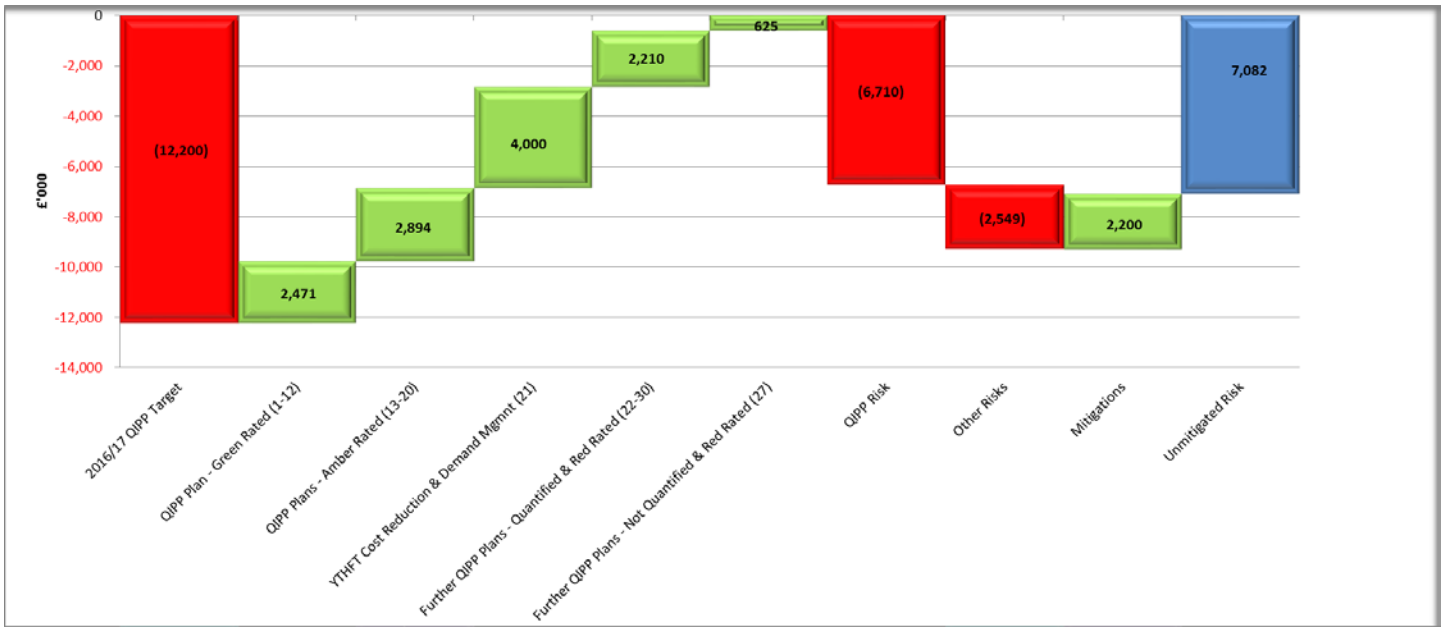


Table 7 – 2016/17 Planned QIPP Schemes

Ref	Schemes	Start Date	2016/17 saving	RAG rating	Work stream	Area of spend
1	Anti Coagulation service	Jul-16	117	G	Primary Care	Acute
2	Paediatric Zero Length of Stay - Pathway review	Apr-16	34	G	Urgent Care	Acute
3	Emergency Department Front Door	May-16	91	G	Urgent Care	Acute
4	Urgent Care Practitioners	Apr-16	161	G	Urgent Care	Acute
5	Integrated Care Team Roll-out	Oct-16	567	G	Integration & Community	Acute
6	Community Intravenous	Jun-16	60	G	Integration & Community	Acute
7	Patient Transport	Apr-16	92	G	Integration & Community	Other programme services
8	Continence & Stoma Care	Apr-16	50	G	Prescribing	Prescribing
9	SIP Feeds	Apr-16	120	G	Prescribing	Prescribing
10	Dressings	Apr-16	63	G	Prescribing	Prescribing
11	Biosimilar Infliximab & Etanercept	Apr-16	366	G	Planned Care	Acute
12	Running costs review & financial controls	Apr-16	750	G	Other	Running Costs
13	Dermatology Indicative budgets	Apr-16	117	A	Primary Care	Acute
14	RightCare programme	Oct-16	317	A	Urgent Care	Acute
15	Wheelchairs & Community Equipment	Jan-17	31	A	Integration & Community	Community
16	Community Diabetes	Apr-16	152	A	Integration & Community	Acute
17	Prescribing schemes - priority schemes (inc Cat M 16/17 NR)	Apr-16	1,247	A	Prescribing	Prescribing
18	ENT service review	Jul-16	58	A	Planned Care	Acute
19	Reduction in S117 spend	Apr-16	250	A	Other	Mental Health
20	CHC packages review	Apr-16	722	A	Other	Continuing Healthcare
21	YTHFT Demand Management & Cost Reduction	Apr-16	4,000	R	Planned Care	Acute
22	Deep Vein Thrombosis Pathway	Apr-16	99	R	Primary Care	Acute
23	Review of Community Service beds	Apr-16	500	R	Integration & Community	Community
24	Assess to Admit	Oct-16	235	R	Urgent Care	Acute
25	Prescribing schemes	Jul-16	519	R	Prescribing	Prescribing
26	Non-Contracted Activity	Apr-16	267	R	Urgent Care	Acute
27	High Cost Drugs & Devices Review	Apr-16	535	R	Planned Care	Acute
28	RightCare programme	Apr-16	11	R	Planned Care	Acute
29	Dressings provided through continuing healthcare	Apr-16	33	R	Other	Continuing Healthcare
30	CHC Respecification of beds	Jul-16	12	R	Various	Various
31	Various schemes in development - identified but not quantified	Jul-16	625	R	Various	Various
	Total savings identified		**12,200**			
	QIPP target for 2016/17		12,200			
	Unidentified QIPP		**0**			

9. Impact on Cash & Statement Of Financial Position

The CCG's cash balance will be managed in line with national guidance and will adhere to the Maximum Cash Drawdown as specified by NHS England.

There are no material changes to the Statement of Financial Position expected in 2016/17.

10. Better Care Fund (BCF)

The BCF is continuing in 2016/17 and the CCG is currently providing for the mandated minimum BCF for each of the three Local Authorities in the Vale of York (total £19.6m). A planning approach is being taken with each which provides for the minimum required level of social care protection in the BCF allocations and planning guidance with the balance currently remaining with health. In the case of North Yorkshire County Council and City of York Council, this is a reduction in social care protection compared to 2015/16 plans.

The BCF must deliver reductions in unplanned admissions and delayed transfers of care to create the savings required. The Financial Plan assumes savings are delivered, or existing expenditure in community services or unplanned care are funded directly by the BCF in a 'lift & shift', in order to create the BCF pot.

11. Risks & Mitigations

A number of risks are associated with the plan. These can be partly mitigated but there remains a level of unmitigated risk. The CCG is continuing to develop further QIPP plans of an estimated value of £4.6m but which are currently 'red' rated for confidence until scoping is complete. The CCG also plans to formally request flexibility on the 1% non-recurrent contingency business rule from NHS England and HM Treasury to enable this unmitigated risk to be reduced. Identified risks are as follows.

- At the time of writing, main provider contracts have been agreed and we are working through the detail in the contract schedules and Heads of Terms with a view to formally signing imminently.
- The plan for the East Riding Better Care Fund has been agreed. Plans for the City of York Council and North Yorkshire County Council have not been formally agreed and there is currently a gap between identified schemes across health and social care and funding available in both plans. Negotiations are on-going and plans are being developed with the objective of avoiding national escalation.
- There remains uncertainty around the on-going cost of Mental Health services which remain outside the TEWV contract which include section 117 homecare packages and supported living. The CCG has additional senior finance resource working urgently on these baseline assumptions to determine the accuracy of PCU planning assumptions used in the plan. We are also pursuing confirmation of the implications of recently issued guidance for determining the responsible commissioner for section 117 packages.

- The CCGs financial plan includes a £12.2m QIPP requirement. Plans to meet this requirement are outlined in section 9 but there is inherent risk around delivery of these schemes and therefore the delivery of the financial plan.

At this stage, the CCG has identified only the 0.5% contingency as a mitigation to address these risks. Risks and mitigations submitted in the plan on 19th April are shown in the table below.

All risks identified in the financial plan are included in the corporate risk register and will be reviewed regularly. These risks will therefore be included in risk register reporting to Senior Management Team, Quality and Finance committee and Governing Body.

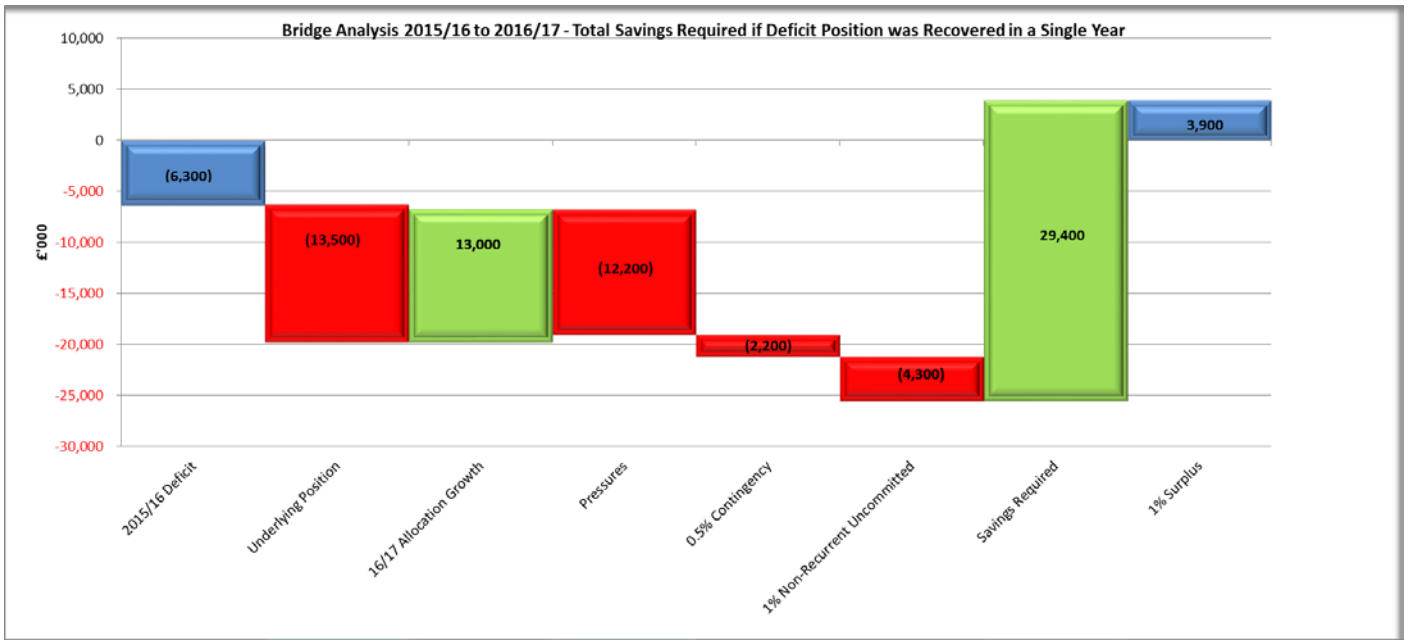
Table 8 – Risks and Mitigations (£000)

	Value	Expected Value	Probability
RISKS			
Mental Health Out of Contract baseline	1,193.64	596.82	50.00%
Acute contract gap	1,400.00	1,400.00	100.00%
QIPP under delivery	12,200.00	6,710.00	55.00%
BCF - NYCC Care Act funding	197.00	197.00	100.00%
BCF plans not agreed with Local Authorities	0.00	0.00	50.00%
Primary Care Home investment	355.00	355.00	100.00%
TOTAL RISKS	**15,345.64**	**9,258.82**	
MITIGATIONS			
Contingency held	2,176.60	2,176.60	100.00%
Contract negotiations and demand management	0.00	0.00	0.00%
TOTAL MITIGATIONS	**2,176.60**	**2,176.60**	
NET (RISK) / HEADROOM		**-7,082.22**	

12. Financial Recovery Strategy & Long Term Financial Plan

The CCG has undergone an extensive period of engagement and communication with regard to its current financial position. This emerged during 2015/16 but was clear in the risk inherent and reported in the 2015/16 plan. The scale of the challenge to recover the position back to being able to meet all the business rules has been identified and if the CCG was required to deliver this in a single year in 2016/17, the total saving would be £29.4m.

Chart 2 – Bridge Analysis 2015/16 to 2016/17 – Total Savings Required if Deficit Position was Recovered in a Single Year



However, it is clear that this scale of savings in a single year is not realistic and therefore a multi-year recovery plan is required. The CCG has developed a set of 12 Financial Recovery Principles and Parameters that have been shared widely and refined following discussion with partners, stakeholders, CCG Governing Body and NHS England. These have guided the development of the Financial Recovery Strategy and Long Term Financial Plan.

1. Plans must be realistic & deliverable
2. 3-4% savings per annum maximum
3. Outline strategy backed by detailed plans – 'top-down & bottom-up'
4. No short term measures that result in long term pressure
5. Transformational and transactional plans both required
6. Multi-year recovery timeframe
7. Flexibility on NHS England business rules during recovery period
8. Must support & deliver the operational plan & enable realisation of the vision
9. Aim to reduce overall cost in the system & with providers
10. Stabilisation period leading to financial sustainability
11. System focus – work in partnership & with stakeholders
12. Accountability for delivery critical

This has resulted in the development of a 4 year plan with savings of 3.1% required in the first year 2016/17 and then between 3.0% and 4.0% in the following years which will deliver all business rules, including a 1% surplus, by the end of the fourth year 2019/20. The CCG will plan to return to underlying balance by the end of 2017/18. There are a number of assumptions and caveats in this plan in addition to the principles above:

- Recurrent savings must be delivered in each of the 4 years;
- Flexibility on NHS England business rules is needed, in particular the use of the 1% non-recurrent contingency. The CCG will be formally requesting approval from NHS England and HM Treasury to utilise this in order to mitigate the unmitigated risk in the plan. This is not confirmed and will be subject to approval which is by no means certain as it is subject to the national financial position of the NHS;
- Cost pressures and investments are limited in the 4 years of the plan, particularly in years 1-3 and this will need to be managed closely and carefully;
- The plan is based on known growth, tariff and allocation assumptions at the time of writing but all of these are subject to change. Tariff is only published for 1 year at a time, growth assumptions may change, up or down and allocations in the latter 2 years are only indicative.

The draft 4 year financial recovery plan is currently being re-worked following submission of the final version of the 2016/17 plan and is also subject to change over the coming months as STPs are developed for submission in June 2016.

In summary, the plan sees the first year of the plan deteriorate by £7m to a deficit of £13.3m. However, providing recurrent savings are delivered and cost pressures and investments minimised, the underlying recurrent position improves. Year 2 sees the deficit position held and the underlying deficit position recovered to balance so no further deterioration in this second year. This is the period of stabilisation.

The following 2 years in 2018/19 and 2019/20 will require close management of growth funding and restriction of cost pressures and investments alongside further delivery of recurrent savings to enable the deficit of £13.3m to be recovered over this period to deliver a 1% surplus by the end of 2019/20. Years 4 and 5 then allows new investment back in to services in Vale of York.

Each year of the plan allows for estimated population growth and tariff implications and a level of cost pressures is also provided for.

Flexibility on business rules will be required in respect of delivery of a surplus and permission will be sought to utilise the 1% non-recurrent contingency.

13. Key Changes from Governing Body Paper 7th April

The following tables were shared with Governing Body members following the submission and are presented here for information to show the movement from the paper presented at the meeting on 7th April and the submitted plan.

Table 9 - Bottom Line Surplus/(Deficit)

	2 March Submission	Proposed 11 April & Gov Body 7 April paper	Improvement/ Deterioration	Submitted 18 April Plan	Further Improvement/ Deterioration
Bottom Line:	**£m**	**£m**	**£m**	**£m**	**£m**
2016/17 Closing Deficit Position	(18.2)	(16.3)	1.9	(13.3)	3.0
Deterioration from 2015/16 Forecast Outturn	(11.9)	(10.0)	1.9	(7.0)	3.0

Tables 10 & 11 – QIPP

	2 March Submission	Proposed 11 April & Gov Body 7 April paper	Improvement/ Deterioration	Submitted 18 April Plan	Further Improvement/ Deterioration	
QIPP Summary & Risk:	**£m**	**£m**	**£m**	**£m**	**£m**	
QIPP Target	13.8	13.8		12.2	1.6	3.1% compared to 3.5%
QIPP Identified	11.1	13.8	2.7	12.2	1.6	
QIPP Risk	2.7	6.8	4.0	6.8	0.0	
Other Risks	6.6	1.6	5.0	2.5	0.9	
Mitigations	3.6	4.1	0.5	2.2	1.9	
Net Risk	3.3	4.3	1.0	7.1	2.8	Overal
Net Risk Adjusted for Confidence Rating undertaken subsequent to 2 March submission		4.3	7.1			
Net Risk if approval for use of 1% Non-Recurrent given		0.0		2.8	2.8	Unmitigated risk has increased by £2.8m offsetting the improvement in the bottom line by £3.0m.

	2 March Submission	Proposed 11 April & Gov Body paper	Improvement/ Deterioration	Submitted 18 April Plan	Improvement/ Deterioration	
QIPP Confidence Rating Analysis & Profile:	**£m**	**£m**	**£m**	**£m**	**£m**	
Green & Amber Rated QIPP (1-20)		4.5	1.5	5.4	0.9	More schemes now rated Green & Amber
Red Rated QIPP due to stage of development & assurance of schemes but confidence in delivery (28-30)		1.0	1.0	0.0	(1.0)	
York FT Demand Management & Cost Reduction (19) - red rated - specific schemes identifed but values need assurance		4.0	4.0	4.0	0.0	
Red QIPP - quantified but red rated for confidence in value and/or delivery at this stage		2.4	(0.2)	2.2	(0.2)	
Red QIPP - schemes identifed but values need assurance		1.9	(6.3)	0.6	(1.3)	Fewer schemes red rated
Total QIPP Identified		**13.8**		**12.2**	**(1.6)**	**QIPP Target reduced by £1.6m to £12.2m**

14. Summary & Recommendations

The paper presents the 2016/17 Financial Plan that was submitted to NHS England on 19th April 2016 following approval by Chief Officers and extensive discussion with NHS England. Governing Body is asked to approve this plan.