



GOVERNING BODY

Agenda Item No.	12
Reference No.	IESCCG 19-44
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Title	Financial Risks 2019/20
Lead Officer	Jane Payling, Chief Finance Officer
Author(s)	Jane Payling, Chief Finance Officer
Purpose	To update the Governing Body on financial risks which affect funding for the CCG and the wider alliance in 2019/20

Applicable CCG Clinical Priorities:

1.	To promote self care	
2.	To ensure high quality local services where possible	
3.	To improve the health of those most in need	
4.	To improve health & educational attainment for children & young people	
5.	To improve access to mental health services	
6.	To improve outcomes for patients with diabetes to above national averages	
7.	To improve care for frail elderly individuals	
8.	To allow patients to die with dignity & compassion & to choose their place of death	
9.	To ensure that the CCG operates within agreed budgets	X

Action required by the Governing Body:

To note the report and discuss any further action required.

1 Background

- 1.1 The financial plan for the CCG was approved by the Governing Body at its meeting in March 2019. This financial plan set out how the CCG would deploy its allocated resources during 2019/20 which included draw down of £3m from its accumulated surplus. Guidance on the delegated primary care commissioning budget had not been fully received at this point in the process and whilst the CCG submitted a balanced budget, primary care was highlighted as a potential area of risk.
- 1.2 In the period since the financial plan was approved, two areas of financial pressure have emerged which make achievement of the financial plan more difficult. These are set out in sections 2 and 3 below. Section 4 goes on to include discussion of a further financial pressure facing capital expenditure.

2 Primary Care

- 2.1 The CCG received a separate ring fenced allocation of £56.7m for GP Delegated commissioning in 2019/20 which is used to meet the statutory contractual obligations for general practice and any changes to GP reimbursements as set out in the NHS Long Term Plan. In addition to the delegated primary care budget, the CCG commissions other primary care services such as Local Enhanced Services and out of hours services which are funded through the CCG programme budget.
- 2.2 The initial allocation for the primary care delegated budget notified to the CCG of £58.4m included an uplift to the delegated budget of 6.05%. Subsequently, the CCG was notified that GP indemnity would be funded centrally with the funding being topsliced from delegated primary care budgets, this reduced the overall uplift to 3%.
- 2.3 Budgets for 2019/20 have now been worked through in detail - the shortfall between the allocation and the planned spend is £1,132k.
- 2.4 The majority of this pressure arises from the costs associated with setting up primary care networks, for which sufficient additional funding has not been received. Cost associated with the establishment of PCNs alone added 3.32% to the overall budget on top the usual in year inflationary impact of contract uplifts, list size growth and rent reviews (total allocation uplift 3%). These additional costs need to be absorbed by a core budget which was already costing in excess of the ring-fenced allocation in 2018/19.
- 2.5 The CCG is committed to the development of primary care networks and will ensure that all necessary costs are covered within the wider CCG budget during 2019/20. However, this additional pressure does reduce the overall level of flexibility in the budget which will require both increased focus in 2019/20 and sufficient resources to be set aside in future years as we develop our longer term financial plans.

3 Regional Financial Support

- 3.1 The regulatory system in the NHS changed on 1 April. The new system brings together the regulators for commissioners (NHS England) with those of providers (NHS Improvement) into larger regional groupings: Suffolk and North East Essex falling under the new East of England region. Each region is responsible for living within the total resources allocated to its area, combining the expenditure of commissioners and providers.

- 3.2 Shortly after the formation of the new region, the East of England recognised a financial shortfall, mainly relating to the Cambridgeshire and Peterborough STP area. After a long process of discussion, the remaining STP areas, including Suffolk and North East Essex were asked to contribute £5m per system on a non-recurrent basis to help achieve financial balance at a system level.
- 3.3 The mechanism by which this system support is being provided is not by physical transfer of cash between areas. All STPs, other than Cambridgeshire and Peterborough, have been asked to underspend by £5m such that this will partially offset the regional overspend. This underspend will convert into accumulated surplus on the CCG's balance sheet, with region stating that these monies will be available to draw down over the next three years. This effectively means a delay in expenditure planned for 2019/20 into future years.
- 3.4 Ipswich and East Suffolk CCG's contribution to the Suffolk and North East Essex £5m underspend is £1.9m based on allocation share. The reduction in expenditure is planned to be achieved through use of balance sheet flexibilities and delay in some elements of discretionary expenditure through the East Suffolk Alliance.

4 Capital Expenditure restrictions

- 4.1 All STP areas have been asked to reconsider capital expenditure in 2019/20 due to over-commitment of the capital budget at national level. NHS providers within Suffolk and North East Essex, in line with the rest of the country, have been asked to delay 20% of capital expenditure planned for 2019/20 into 2020/21 in order that the Department of Health and Social Care's Capital Departmental Expenditure Limit (CDEL) is not exceeded. Work has been undertaken within the STP to agree how best to achieve this reduction, aiming to minimise the impact on patients by making small delays to items which would have been purchased late in the financial year.

5 Recommendation

- 5.1 The Governing Body is asked to note the pressures set out in this paper which will be closely monitored during 2019/20. The establishment of an East Suffolk Alliance Finance Committee over the next couple of months will provide a forum for wider discussion of financial pressures across system partners and facilitate discussions on wider system financial sustainability.