

Local Members' Interest
Nil

Healthy Staffordshire Select Committee – March 2020

Summary Financial Report for the 6 Staffordshire & Stoke on Trent CCGs

Recommendation/s

1. The Committee is asked to note:
 - The financial projections for 2019/20 by CCG including
 - The positive impact that the Intelligent Fixed Payment Contract with system partners has had on managing down financial risk
 - The adverse impact of uncontrollable drug prices
 - The latest position with respect to the 2020/21 plan
 - The 5 year financial projections submitted as part of the Long Term Plan

Report of Neil Cook, Interim Director of Finance

Report

Background

In March 2019 the 6 Staffordshire and Stoke on Trent CCGs submitted a challenging financial plan to deliver a collaborative £92.7m deficit against a Control Total target of £54m issued by NHSE/I (a variance of £38.7m). NHSE/I subsequently put pressure on the CCGs to improve their position to £74m leading to a very challenging savings requirement of £55m (3.1%) which included a £9m share of system wide transformation savings agreed with partners under the new Intelligent Fixed Payment (IFP) Contract.

The IFP system has proven effective in managing down financial risk during the year but has proven less effective in delivering the level of transformation savings expected with only £1.3m projected to deliver against the £20m plan. This under performance on transformation savings together with pressure on drug prices of £6m in particular has meant that the CCGs will not achieve their collective plan in 2019/20, and are currently projecting a £14.4m adverse variance to plan. However set against the context of historic over spends and adversarial contract relationships with systems partners this is being seen as a positive step forward on the road to financial recovery and sustainability from both within and by regulators. In addition all provider partners within the system are reporting achievement of plan or better in the case of UHNM who are projecting a surplus to plan of

£5m leaving the overall STP performance at £9.4m adverse to plan, equating to 0.4% of expenditure.

The IFP Governance arrangements are currently being refreshed and there is a commitment by all system partners to continue with the contractual approach and strengthened partnership working into 2020/21 and beyond.

The positive view of the system by regulators was highlighted further in respect of the proposed financial trajectories for 2020/21. The original submission of the Long Term Plan (LTP) in January by system partners identified a collective adverse variance to the Financial Improvement Trajectories (FIT) issued by NHSE/I of £61m (c2.5%). Through discussion and agreement system partners were able to convince NHSE/I that this trajectory was unrealistic and therefore dangerous in terms of delivery of key standards and targets. NHSE/I subsequently agreed a revised FIT reducing the gap to £25m which partners subsequently agreed to improve their plans by leaving a total savings requirement of c£125m (5%) subject to final budget setting.

The 5 year trajectories submitted by system partners as part of the LTP are significantly adrift of the present Financial Improvement Trajectories beyond 2020/21 as a consequence of structural deficits of c£80m driven by Private Finance Initiative (PFI) premiums not picked up by tariff inflationary increases, ongoing transformational support funding for UHNM around County Hospital, and the CCGs collective adverse distance from their target allocation funding.

Link to Trust's or Shared Strategic Objectives –

CCGs Strategic Objectives

3a Ensure CCGs achieve 2019/20 Financial Plan signed off by Governing Bodies

3b Support the delivery of system financial balance

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Appendices/Background papers

Presentation Slides: Summary Financial position for the Staffordshire & Stoke on Trent CCGs