NHS
Barnet Clinical Commissioning Group

Improved Financial Position
2013/14 – 2016/17

1 Introduction

1.1 Annual NHS financial business and planning expectations require a Clinical Commissioning Group (CCG) to plan to:

(a) achieve a 1% surplus;
(b) set aside 0.5% as contingency; and
(c) set aside 1% for non-recurrent (pump priming) expenditure

of its annual resource (budget) allocation.

1.2 Resource Accounting and Budgeting (RAB) requires any annual overspend to be carried forward and repaid the following year. Any underspend can be carried forward but within certain criteria. There is the potential that underspends in excess of 1% of annual allocation may not be returned but held by NHS England to manage the overall national NHS budget. In practical terms, any overspend is deducted from the following year's allocation, any underspend being added.

1.3 RAB has a cumulative affect and hence a continuing annual (in year) over spend quickly mounts year after year and adds further financial pressure which may then invoke various support regimes and sanctions by NHS England.

1.4 Where an NHS organisation is overspending, depending on the extent and reasons for the overspend, it is often difficult to recovery the position within a year. A longer term 3-5 year recovery plan is agreed with NHS England which balances the financial savings required against patient safety and quality of services.

2.0 Inherited Financial Position

2.1 NHS commissioning arrangements were restructured on 1st April 2013. The former NHS Primary Care Trusts' commissioning responsibilities were transferred between NHS England, Local Authorities and the newly incorporated Clinical Commissioning Groups. The financial position was therefore transferred across the new commissioning responsibilities which therefore distributed any underlying over/underspend and associated risks.

2.2 This had the effect of highlighting individual financial positions that may previously have been managed as one. In Barnet CCG's case, it inherited an underlying overspending position and set its first year's 2013-14 budget at £20.9m overspend.

2.3 It should also be noted that Barnet CCG's annual resource allocation for 2013-14 was 4% (circa £20m) below its national 'fair share' calculated by NHS. There is a national policy to move organisations that are under/over their respective target towards their fair share positions, However, this is usually done through very small % adjustments year on year - a marginally higher/lower uplift than the national average.

2.4 Given the inherited financial deficit, the CCG was required to develop a five year financial recovery plan, with the support of NHSE, to repay the budgeted overspend and secure the financial position going forward.

3.0 Financial Recovery Actions

3.1 From the outset, it was necessary for the CCG to fully understand its financial position and therefore initiated an in-depth external review of its budgeting assumptions, monthly internal reporting and saving opportunities such as benchmarking expenditure across patient services. As a consequence the CCG strengthened its financial team, improved monthly budgetary accountability and initiated stronger contract management and monitoring arrangements.

3.2 Agreement was reached with NHSE to suspend NHS business rule requirements (para 1.1 above) and to concentrate on reducing the annual (in-year) overspend to a position of achieving an in-year surplus within three years and thereby repay the accumulated deficit within five years.

3.3 In year saving targets were raised to 3.5% per annum across years and an internal committee plus task and finish groups established to oversee and provide challenge on progress in achieving financial recovery. The CCG delivered its £14.6m 2015/16 QIPP plan with notable benefits from improved prescribing and referral management schemes.

3.4 The table below summarises the CCG's financial plans and actual position for the past three years.

Table1: Summary Financial Position

	2013-14		2014-15		2015-16		2016-17
	Plan	Actual	Plan	Actual	Plan	Actual	Plan
	£m	£m	£m	£m	£m	£m	£m
Annual Allocation	£416.0	£415.4	£444.4	£440.6	£455.4	£456.8	£466.3
Expenditure	£436.9	£424.4	£448.4	£442.6	£448.4	£447.4	£463.6
In year position	-£20.9	-£9.0	-£4.0	-£2.0	£7.0	£9.4	£2.7
Previous year b/fwd	-	-	-£9.0	-£9.0	-£11.0	-£11.0	-£1.6
Outturn Position	-£20.9	-£9.0	-£13.0	-£11.0	-£4.0	-£1.6	£1.1

3.5 Having set its annual expenditure plans, the CCG adopted an approach that should it receive any additional funds or unexpected benefits, these (subject to any immediate requirement to invest these additional funds) would be used to improve the financial position.

3.6 Across the years, the CCG received the following, over and above its annual allocation increase:

Table 2: Additional Allocations Received

Year	Narrative	£m
2013-14	Original split of PCT funding challenged. Too much distributed to other organisations	£6m
2015-16	Share of national £2bn additional funds to NHS	£7m

3.7 The CCG also benefited from three other significant aspects.

(a) In 2014-15, hospitals nationally were under pressure to achieve the referral to treatment (RTT) target of seeing patients and beginning treatment within 18 weeks of referral. NHS made available funding during the year to reduce the backlog of patients waiting. Barnet CCG was already supporting local hospitals, particularly Barnet and Chase Farm and had already set aside a £4m budget. The CCG budget was therefore now not required.

(b) CCGs contributed to national funds. In 2014-15, an underspend on the continuing healthcare legacy fund was returned to CCGs. Barnet received £2m.

(c) Rather than having a single national pricing and payment arrangement (Payment by Results – PBR) in 2015-16, a two tier mechanism was introduced. This arose from hospitals not agreeing the original pricing proposals for that year. Providers could choose which of the two pricing proposals to adopt. The majority of the hospitals that Barnet CCG held contracts with chose the less expensive option. The CCG unexpectedly benefited by £2m for the year.

3.8 Alongside the factors above, the CCG ensured that it managed its finances carefully on a day to day basis. Monthly reporting was robust, financial risks clearly identified and reported to Finance Committee and mitigations planned and invoked. The CCG also shared and contributed to a North Central London CCG risk pool arrangement from which it received a net financial benefit during the past three years.

3.9 Being financially challenged, with an emphasis on having to reduce expenditure and make savings has not been comfortable and has lead to tensions with our partners and stakeholders.

3.10 It has led to difficulties in the CCG's relationship with its member GP practices due to the focus on savings when nationally they are aware of the additional NHS resources being announced by the Government with particular note of investment in primary care services.

3.11 Relationships with the local health economy and LBB have had to be firm. Ability to support and invest in very worthwhile schemes has had to be limited and selective at best.

3.12 The CCG has also had to forego internal investment and support in its workforce and services.

4.0 Going Forward

4.1 The current year 2016-17 shows the CCG returning to a small net surplus position. The previous years' cumulative deficit is repaid, a year ahead of the recovery plan and the combination of the factors above has enabled the CCG to have modest and demonstrable investments in services.

4.2 The additional funding received and year on year uplifts has moved the CCG to within 1% of its 'fair share' target, although this is still 1% under (circa £4m). Barnet CCG is expected to remain 1% under its Fair Share target for the next four years on the indicative allocations published by NHS England:

5 Year Allocation					
NHS Barnet CCG	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Allocation £k	457,630	469,972	483,073	497,086	520,545
Growth %	3.9%	2.7%	2.8%	2.9%	4.7%
Target £k	460,519	474,291	488,006	502,480	525,667
Distance from Target %	-0.6%	-0.9%	-1.0%	-1.1%	-1.0%

4.3 The CCG's underlying financial position is considered stable. The close monitoring and stewardship of the CCG's finances will continue but the CCG is now in a much stronger position to work more closely with all of its partner organisations.