

MK Commissioning

Subject: Finance Report
Meeting: MK Commissioning Shadow Board
Date of Meeting: Tuesday 7th February 2012
Report of: Matthew Webb, Chief Financial Officer

1. INTRODUCTION

1.1. This report provides an update to the MK Commissioning Shadow Board on the overall financial position of NHS Milton Keynes at the end of month 9 (December 2010), MK Commissioning financial plans for 2012/13, progress on delegation of budgets from NHS Milton Keynes to MK Commissioning and on the establishment of MK Commissioning running costs for 2012/13.

2. FINANCIAL POSITION OF NHS MILTON KEYNES AT MONTH 9 2011/12

2.1. NHS Milton Keynes continues to report a £100k small surplus forecast outturn position for the 2011/12 financial year at month 9, in line with Plan. However this forecast is at significant risk due to slippage on 2011/12 QIPP savings plans.

2.2. The original plans set by Programme Boards amounted to £24.4m against a target requirement of £20.2m. Plans were set at the higher rate of £24.4m to allow for slippage on delivery of some schemes. The achievement against the £24.4m Programme Board plans shows a significant underachievement of £4.6m year to date and £5.2m for the full year forecast.

2.3. However, when compared against the actual target of £20.2m required to achieve breakeven the position does improve. The forecast position is £946k under target before offsetting contingency reserves.

2.4. **Appendix 1** shows the current forecasts by Programme Board.

2.5. The main movement in this month is the improvement in the prescribing saving in the Planned Care Programme following a review by the Prescribing Advisor team which is forecast to be £0.5m over target.

2.6. The Planned Care Programme Board continues to be the Programme Board struggling the most to deliver the planned QIPP savings. Despite the reductions in demand, the overperformance on the MKFT contract continues to grow. The

MK Commissioning

overperformance at month 8 is £3.7m after applying £4.5m of contractual discounts. There is 14% over-performance on outpatients, 52% on outpatient procedures and 18% on elective inpatients.

- 2.7. It is important that the CCG understands and deals with this over-performance as, under the Payment by Results regime, we have been forced to recognise the over-performance on outturn activity in our first cut 2012/13 contract offer to the FT. This has had a significant financial consequence on our financial plan, therefore forcing up our QIPP savings requirement.
- 2.8. Remedial action plans to close the gap amounting to £1.5m were presented to the PCT Cluster Board in October and these are factored into the forecast position, but will still bring us in £946k short of target. Some of the remedial actions are delivering already e.g. there has been approx a 75% success rate in recharging other PCTs for out of area attendances at the Walk in Centre and the prison budget slippage has been allocated already. However it is still too early to measure the impact on other plans such as the planned reduction in consultant to consultant referrals.

3. 2012/13 FINANCIAL PLANS

- 3.1. The 2012/13 ISOP, including the financial plan, is covered in a separate paper in more detail. However, the 2012/13 PCT allocations have now been confirmed with a £9.5m (2.8%) increase which is greater than originally anticipated. In addition we have received £0.7m (0.2%) reablement funding.
- 3.2. We do not yet know the indicative CCG allocations for 2012/13 (i.e. PCT budgets adjusted for commissioning budgets transferring to Public Health, National Commissioning Board etc), although they are due to be released shortly.
- 3.3. Based on the overall PCT budgets, an updated review of the commitments against this growth funding can be seen in the table at **Appendix 2**. This shows that additional commitment for 2012/13 amounts to £27.8m which is £18.2m greater than resource available. The total net savings currently identified in CCG QIPP plans current amount to £17.1m before any risk adjustment for slippage or non delivery. This leaves a gap of at least £1.1m but possibly up to £4m (best guess) that will need to be addressed before the next ISOP submission for 2012/13.
- 3.4. Since the current QIPP plans do not allow for risk assessment, it is recommended that the CCG identifies further potential plans to be developed in year as a contingency in case of under delivery. Contract negotiations have commenced with Providers and it is important that financial contract offers are maintained within the financial envelopes developed within these plans.

4. PROGRESS ON DELEGATION OF BUDGETS TO THE CCG

- 4.1. The PCT Cluster Board meeting at the end of January is receiving a paper proposing the delegation of budgets to MK Commissioning in line with the national requirement to enable CCGs to assume responsibility for a significant level of commissioning expenditure during 2012/13.
- 4.2. Subject to fulfilling certain conditions, during 2012/13, MK Commissioning will take delegated responsibility for the majority of budgets of NHS Milton Keynes. A phased approach to the delegation has been adopted with an agreed trajectory for taking on a range of budgets from 1st January 2012 to 31st March 2012 with the responsibility for all remaining budget areas by April 2012.
- 4.3. The full year equivalent value of the range of budgets to be delegated from 1st January 2011 is £124m with the remaining £132m to be devolved from 1st April 2012, giving a total delegated budget of around £255m.

From 1st January 2012

Delegated Responsibility	Delegated Budget (Full Year Equivalent)
Acute Sector PbR Based Budgets	
Electives	£16,240,716
Planned Same Day	£13,596,370
Emergency Admissions	£31,055,879
Other Non elective	£3,649,465
Admissions Local Tariff	£217,086
Outpatient appointments (firsts, follow-ups and procedures)	£17,405,921
Outpatient appointments (firsts, follow-ups) Local Tariff	£3,805,282
A&E	£4,917,119
Other Budgets	
Prescribing	£31,587,979
GP CONSORTIA ALLOWANCE	£1,203,114
Total Delegated Budgets 2011/12	£123,678,931

MK Commissioning

Additional from 1st April 2012

Delegated Responsibility	Delegated Budget
Other Acute Sector Budgets	£57,984,035
Continuing care & RNCC	£11,591,743
Community, Mental Health & LD	£55,270,141
Childrens Services	£734,044
Children continuing care	£755,887
Practice based services	£1,265,148
Walk in centre	£4,183,826
New Budgets Delegated 2012/13	£131,784,824
Total Budgets Delegated 2012/13	£255,463,755

5. MK COMMISSIONING RUNNING COSTS 2012/13

- 5.1. The MK Commissioning Board will recall that all CCGs have been set a maximum running cost budget of £25 per head of population post authorisation. Based upon a population of 250,074, that would give MK Commissioning a running costs budget of £6.25m.
- 5.2. We know that the cost of our local staff, management team and GP time is around £6.19 per head of population.
- 5.3. Most of our running costs are invested in the Commissioning Support Hub that we share with Nene Commissioning, Corby CCG and the PCT Cluster. In the last week, we have received 1st cut costs from the Hub indicating a cost per head of £15.42. This has yet to be fully challenged.
- 5.4. When you bring together our local costs and our share of the Hub costs, we have pre-committed running costs of £21.61 per head against our £25 per head allowance.
- 5.5. Whilst in theory, this enables us to make informed decisions about further local infrastructure to deliver MK Commissioning objectives, it should be remembered that we will need to retain a degree of flexibility between our current costs and the £25 per head to allow for the transfer of PCT statutory responsibilities in April 2013, subject to authorisation.

MK Commissioning

6. RECOMMENDATIONS

The MK Commissioning Shadow Board are asked to note:-

- The forecast delivery of financial plan for NHS Milton Keynes for 2011/12
- The non-delivery of QIPP savings in 2011/12, particularly on planned care, that is being offset by contingency reserves and remedial schemes
- The updated financial plan for 2012/13 which currently shows a QIPP gap of £1.1m before any risk adjustment for slippage and non delivery
- The progress on delegation of budgets to MK Commissioning
- The progress on identifying our running costs



MK Commissioning

Appendix 1

CORPORATE OBJECTIVE 1 - Financial Balance Dashboard Report															
Report Date:		RAG rating criteria													
Director	Gill Scoular	Red	Not on track, not under control												
		Amber	Not on track but under control												
		Green	On track and under control												
PROGRAMME	Sponsor	PM	RAG	Risks	Status	Gross saving	Investment	Net saving	Year to Date			Year end forecast			
									Actual	Plan	Variance	Actual	Plan	Variance	
7	Unplanned Care	NS	AP	Green			4,906	0	4,906	2,660	3,625	-965	3,858	4,906	-1,048
8	Planned Care	JA	AA	Amber			12,290	209	12,081	5,612	8,805	-3,193	8,526	12,081	-3,555
9	Maternity and Children	JN	JB	Green			3,382	77	3,305	1,965	2,338	-373	2,685	3,305	-620
10	Mental Health, Learning Disability,	MH	AA	Green			2,674	0	2,674	2,201	2,006	195	2,980	2,674	306
11	Delivering Capability	GVB	AP	Amber			1,482	0	1,482	884	1,111	-227	1,172	1,482	-310
Total							24,734	286	24,448	13,322	17,885	-4,563	19,221	24,448	-5,227
		Total Financial Target	Forecast		Financial Gap										
	Unplanned Care	3634	3,858	Green	224										
	Planned Care	12209	8,526	Amber	-3,683										
	Maternity and Children	2865	2,685	Green	-180										
	Mental Health, Learning Disability,	2478	2,980	Green	502										
	Delivering Capability	1482	1,172	Amber	-310										
	Sub Total	22668	19221	Green	-3,447										
	Central Contingency	-2,501			2,501										
		20167	19221		-946										

RAG Rating	
	Below 60% achieved
	60-80% Achieved
	Over 80% achieved

2012/13 Financial Plan

	£'000
Allocation Growth	9,515
Tariff reduction 1.5%	3,803
Cquin	-2,559
Prescribing Inflation 5% gross (Efficiency in QIPP total)	-1,968
Prior Year Pressures	-9,133
Growth	-10,862
SHA 2% top-up	0
Reduction in Surplus	0
Savings on restructuring	tbc
Primary Care Contract Inflation	-164
12/13 Cost Pressures (after reserve offset)	-4,996
Doh Initiatives	-1,857
Shortfall	<hr/> -18,221
Must Do's	127
Transactional Adjustments	7,843
QIPP	9,152
Gap to be filled by additional QIPP	<hr/> 1,099