

**Manchester City Council
Report for Resolution**

Report to: Health Scrutiny Committee – 12 March 2015

Subject: Clinical Commissioning Group finances

Report of: Joanne Newton, Chief Finance Officer – North, Central, and South Manchester Clinical Commissioning Groups

Summary

This report provides Members of the Committee with an overview of CCG finances.

Recommendations

The Health Scrutiny Committee is asked to note the contents of this report.

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Introduction

None

1. Introduction

1.1 This paper provides an overview of the finances of North, South and Central Manchester Clinical Commissioning Groups (CCGs). The aim of the paper is to inform Committee members of the financial environment CCGs are working within. It explains:

- the income of each CCG for 2014/15
- how the income is being spent during this financial year
- allocations for 2015/15
- financial challenges moving forward

2. 2014/15 Income

2.1 The majority of CCG income is received directly from NHS England in the form of allocations. Funding is based upon a formula which is weighted based upon different health needs within populations and in particular takes into account, population growth, deprivation and the impact of an ageing population. However, CCGs do not necessarily receive their 'target allocation'. This is due to historical reasons and to rectify the situation immediately would be too costly and too disruptive to CCGs which are currently 'over-funded'.

2.2 The table below shows funding received by Manchester CCGs in 2014/15 and in addition shows the percentage difference that each CCG is away from their target allocation

	Programme Budget £000's	Running cost budget £000's	Total funding £000's	Population	Distance from target %
Central Manchester CCG	235,901	5,029	240,930	216,778	0.63
North Manchester CCG	253,845	4,494	258,339	194,830	0.04
South Manchester CCG	205,818	3,909	209,727	169,840	-2.31
Total	695,564	13,432	708,996	581,448	

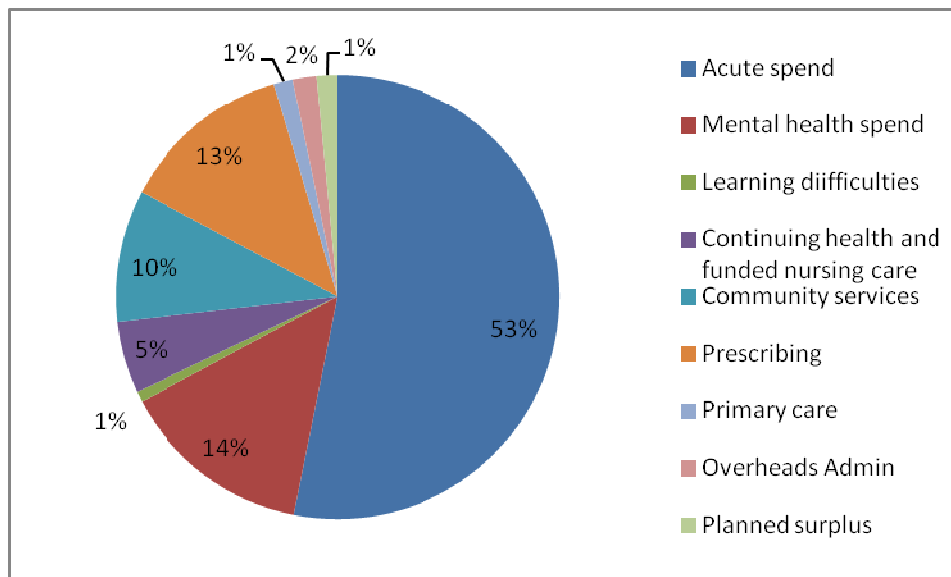
3. Expenditure

3.1 The table below shows how funding allocated in 2014/15 is being spent

	Central £000's	North £000's	South £000's	Total £000's
Acute spend	126,062	135,803	115,061	376,926
Mental health spend	36,915	37,585	24,774	99,274
Learning difficulties	2,070	2,127	1,368	5,565
Continuing health and funded nursing care	13,189	13,519	10,350	37,058
Community services	23,704	23,431	20,875	68,010
Prescribing	27,974	33,577	27,778	89,329
Primary care	3,488	3,221	3,120	9,829

Overheads Admin	4,525	3,948	3,788	12,261
Planned surplus	3,003	5,128	2,613	10,744
Total	240,930	258,339	209,727	708,996

The pie chart below summarises this across the city



3.2 For acute hospital care, the majority of services are commissioned and paid for on the basis of a list of tariffs which are set nationally. This tariff applies to both services provided by NHS providers and private providers. For other services, prices are subject to local negotiation.

3.3 Other NHS services not included above are commissioned by other partners, predominately NHS England. The table below details these and provides an indication of current spend. It is likely that the majority of these budgets will be devolved in Greater Manchester under the recently announced devolution agreement.

	£000's	Current Commissioner
Specialist services	220,528	NHS England
Primary care	138,701	NHS England
Public health	48,303	Local Authority
Total	407,532	

4. 2015/16 allocations

4.1 In December 2014, revised NHS allocations were announced for 2015/16 .Locally this increased funding to the three Manchester CCGs as follows:

	Percentage growth %	Programme Budget £000's	Running cost budget £000's	Total £000's
Central Manchester CCG	2.82	241,793	4,516	246,309
North Manchester CCG	2.82	261,724	4,036	265,760
South Manchester CCG	4.21	213,847	3,510	217,357
Total		717,364	12,062	729,426

Further growth has been allocated to South Manchester CCG above that received by Central Manchester and North Manchester CCGs to bring it closer to its target allocation.

4.2 Whilst this additional funding was welcomed, planning guidance indicated increased requirements for funding. These included in particular, support for seasonal resilience (A & E pressures), a requirement to increase mental health spending and support for the development of the better care fund. After funding these additional requirements, both Central and North Manchester CCGs have no growth to support other developments and pressures and South Manchester CCG has just under 0.5%.

4.3 Strategic financial plans for 2015/16 have been developed for each of the CCGs in Manchester and these take into account;

- The requirements of the NHS constitution
- The requirements included in NHS planning guidance i.e. "The NHS forward view"
- Local population needs
- Anticipated growth in services due to local demographics

4.4 In developing plans it has been assumed that, due to demographic and other pressures, acute activity will grow by 2% in line with recent trends. Building these factors into financial plans has resulted in a requirement to deliver efficiency savings of £18.5m across the city in 2015/16.

4.5 In setting savings targets, the following assumptions, including those agreed by the Health and Well-being Board have been

- Non elective activity will be reduced by 3.5% and all other acute activity will be maintained at 2014/15 levels.
- Community and primary care spend will be protected to support the CCGS strategy to support "out of hospital services"

4.6 The table included below shows the savings targets agreed based upon these assumptions. Plans are currently being developed to meet these targets.

Service area	Savings Target £000's
Planned care	2,255
Emergency care	6,661
Mental health	4,213
Continuing health care	1,504
Medicines management	3,634
Total	18,267

4.7 Where possible, savings are being identified through efficiency savings so that there is little or no impact on service delivery. If a potential significant impact on service delivery is identified, appropriate public engagement and equality impact assessment will be carried out.

5. Recommendations

5.1 The Health Scrutiny Committee is asked to note this report.