

THE POWER OF BEING UNDERSTOOD

SOUTH WEST LONDON CCGS

Financial Due Diligence - Transfer of Primary Care
contracts to the CCG

27 January 2016



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Date of Document	Author	Revision Level	Reason for Change
16.12.15	Steve Uttley	First	
16.12.15	Paul Brown	Second	Initial Partner review – draft for client to discuss
21.12.15	Mike Gill	Third	QA Review
22.12.15	Steve Uttley	Fourth	Updated based on QA
27.01.16	Steve Uttley	Fifth	Released to Primary Care Joint Committee

Evidence of review

Date of Document	Revision Level	Approved By	Date of Approval
16.12.15	Second	Paul Brown	16.12.15
21.12.15	Third	Mike Gill	21.12.15
13.01.16	Finalisation Sign off	Paul Brown	13.01.16

1 SUMMARY

This review was requested by the South West London CCGs to help the Governing Body to consider the financial risks associated with the proposed transfer of responsibilities for the management of primary care contracts from NHS England. This was undertaken and resulted in six detailed reports to go to the six CCGs.

In this report we summarise the findings, however we would point readers to the full documents to provide the detail behind the findings and recommendations.

The review has concluded that there is a level of financial risk to the SWL CCGs in taking on Level 3 delegated commissioning responsibility. The level of risk is related to the budget setting process, QIPP requirements and the historic approach to accruing for costs at a GP Practice level. In addition, a GP practice survey undertaken as part of this review highlighted some issues that NHS England were not aware of, primarily in relation to premises related matters.

These risks need to be considered in the context of the opportunities that Level 3 delegated commissioning may provide. For example the scope for improved system-wide financial management is significant and should be weighed up against the likely short-term financial challenge that CCGs will inherit if they decide to proceed with Level 3 delegation.

We have made a number of recommendations to help CCGs mitigate these risks which will require the need to invest time and money to help ensure that CCGs can start their new function with a better service model and one which will be noticeably improved. With a 1st April 2016 start date for delegation, this would constitute a dedicated and focused piece of work over the January to March period to get everything in place.

It should also be noted that in delivering this assignment RSM encountered delays in receiving information requested and limitations with the detail available from NHS England which may reflect on how this function within NHSE has been resourced and organised in the last few years. More specifically NHS Property Services did not provide any detailed data despite significant chasing.

2 KEY RISKS

2.1 Financial Risks

The review focussed on the following financial risks:

Budgets

We found that the majority of budgets were overspending whilst others are underspending. These budgets had not been shared with GP Practices and have been managed centrally - they are managed 'bottom line'. This does pose some financial risk for CCGs because if all budgets that are underspending were to spend to the budget level, CCGs could be exposed to an overspending of £7.3m as shown below:

CCG	Over Spend Potential	Under Spend Potential
Croydon	£3.6m	£1.2m
Kingston	£0.8m	£0.2m
Merton	£0.9m	-
Richmond	£0.5m	£0.5m
Sutton	£0.6m	-
Wandsworth	£0.9m	£1.5m
Overall	£7.3m	£3.4m

To mitigate this risk there needs to be a much tighter approach to budget setting and budgets should be discussed with Practices directly and then monitored at a Practice level. This would bring Practices into 'mainstream' financial management and would help signal a cultural change, confirming that they have a part to play in helping ensure that CCG targets are met.

QIPP

Reports show a large shortfall in delivering the 2015/16 target. From the month 7 SWL finance report, annual budgets include £2.7m QIPP savings targets across South West London. The QIPP shortfall for 2015/16 is in the region of £1.7m for SWL and that this is likely to flow through to create an opening deficit in the 2016/17 budgets.

In addition there is a large requirement for new 2016/17 QIPP plans. CCGs will need to plan to eliminate the carry forward deficit and meet the new QIPP target, all in the first year of taking on this responsibility.

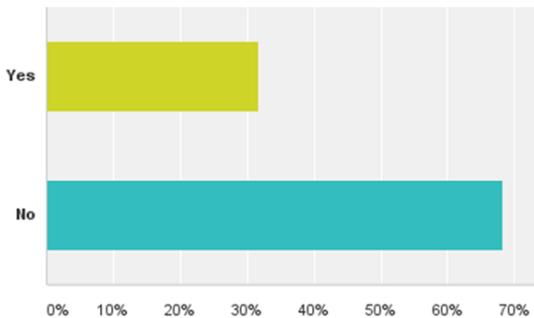
Accruals

Large NHSE accruals were held at SWL level in 2014/15, with £5.3m held centrally and not broken down to CCG or GP level. This was managed as part of the 'bottom line'. In 2015/16 accruals are now calculated at a more granular level, however this means that there is a lack of data on past trends which poses some financial risk to CCGs as they build budgets for 2016/17.

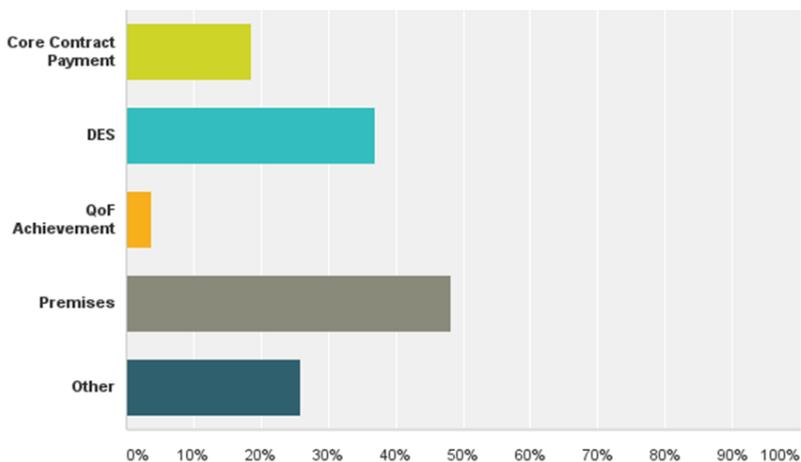
2.2 Other Risks

RSM ran an independent survey, asking all Practices to provide feedback on arrange of issues associated with the management of primary care contracts. A response rate of about 50% was achieved. The detailed responses are covered in the main reports. In this summary we extract some of the key messages.

Practices were asked whether there are any unresolved financial issues. The results across South West London are summarised below:



For the 30% who stated that they did have unresolved financial issues, the reasons for the dispute were cited as follows:



For the detailed responses readers are referred to the detailed CCG reports.

The evidence from the survey indicated that there were more problems cited by Practices than NHS England or NHS Property Services were aware of. This correlated to the fact that only 8% (7 out of 88 respondents) said that there had been a minuted contract meeting with NHS England in the past year.

We also investigated the capacity of people to support this function going forward. The conclusion was that CCGs would need to invest in this service in the early days to ensure that systems and processes are improved, as the analysis will need to be at a more granular level when managing the GP Practices within a single CCG budget.

3 RECOMMENDATIONS

There are a number of recommendations for each CCG. Some of the key ones that are common across all CCGs are summarised below.

Financial reporting – the CCGs would need to invest so that a more robust reporting mechanism is in place to go live on 1st April 2016. This should include a training programme so that both CCG staff and Practice Staff agree the approach to monitoring contracts in 2016/17 and are jointly trained in the operating procedure.

Accruals – improved systems for accruing for costs at a GP Practice and CCG level would need to be developed and implemented to take effect from the start of the new financial year.

Financial Management – practices should be aware of the budget at the start of the year and there should be an on-going programme to monitor costs against that budget throughout the year.

QIPP – the gap from 2015/16 would need to be eliminated through the financial strategy. Planning for 2016/17 should start now so that schemes are designed and implemented by the start of the year.

Contract Management – a robust process of contract management with meetings minuted and actions followed up should be put in place. A training programme for GP Practices and CCG staff should be designed and implemented to support this change.

Property – meetings should take place with GP Practices to ensure that all property issues with NHSPS are flagged and an appropriate action plan is put in place to ensure that issues are resolved in a timely manner.

Capacity – additional capacity will be needed during the set up phase. Dependent on how the staff are allocated at a SWL or CCG level, there may be some economies of scale. Thereafter the levels of staff transferring could be adequate, though will require new ways of working e.g. the better use of systems to reduce manual intervention.

Shared Services – CCGs should consider working together so that common standards are applied to the management of these contracts going forward. A shared service approach would allow better staff structures and critical mass so that CCGs can build improvements on the current system, rather than risk going backwards if key skills are diluted.

FOR FURTHER INFORMATION CONTACT

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