

**Clinical Commissioning Group Governing Body**  
**Paper Summary Sheet**  
**Date of Meeting: 22 March 2016**

For: PUBLIC session  PRIVATE Session

For: Decision  Discussion  Noting

<b>Agenda Item and title:</b>	<b>GOV/16/03/13a Budget Setting and Activity Assumptions 2016/17</b>
<b>Author:</b>	Steve Perkins, Deputy Chief Financial Officer
<b>Lead Director/GP from CCG:</b>	Simon Truelove, Chief Financial Officer
<b>Executive summary:</b>	<p>To report to the Governing Body on the budget setting process for the 2016/17 financial year.</p> <p>Budgets represent the funding made available, the investment priorities and QIPP requirements as outlined within the CCG's five year strategic plan and recent planning submission to NHS England.</p> <p>The CCG is required to plan for a 1% surplus in 2016/17.</p>
<b>Evidence in support of arguments:</b>	N/A
<b>Who has been involved/contributed:</b>	Finance, Information and Commissioning Leads
<b>Cross Reference to Strategic Objectives:</b>	Delivery of statutory financial targets
<b>Engagement and Involvement:</b>	N/A
<b>Communications Issues:</b>	None
<b>Financial Implications:</b>	NHS England business rules require that a cumulative 1% surplus is delivered - failure to deliver the CCG's 1% surplus position would result in the CCG needing to produce a financial recovery plan. As part of this it would need to consider all areas

	<p>of commissioning expenditure which may lead to decisions being made in respect to decommissioning and or reviewing access criteria to ensure that the CCG can afford to fund care for those who most need it.</p> <p>If the CCG is not able to successfully deliver the financial business rules, and ensure financial sustainability, NHS England which will enact appropriate assurance measures.</p>
<b>Review arrangements:</b>	Monthly monitoring via the Integrated Performance Report and Bi-monthly via the Finance and Performance Committee.
<b>Risk Management:</b>	<p>The key risks are associated with not delivering the planned level of surplus or the required levels of QIPP savings / redesign.</p> <p>This will be mitigated through analysis of areas that overspend and challenge to identify causes and corrective actions. A robust QIPP programme, underpinned by the PMO methodology, will be required to ensure delivery of the QIPP challenge to support financial policy.</p> <p>The CCG will hold a 0.5% contingency reserve to mitigate emerging issues but may require further actions, such as robust contract management or the reallocation of resilience funding, to ensure financial delivery.</p>
<b>National Policy/ Legislation:</b>	NHS England financial requirements
<b>Public Health Implications:</b>	N/A
<b>Equality &amp; Diversity:</b>	N/A
<b>Other External Assessment:</b>	Assessed via the NHS England assurance matrix
<b>What specific action re. the paper do you wish the Governing Body to take at the meeting?</b>	The Governing Body are asked to agree the 2016/17 budgets and the inherent QIPP (and activity) assumptions underpinning these.

**Budget Setting and Activity Assumptions 2016/17**  
**22 March 2016**

**1 Introduction**

- 1.1 To report to the Governing Body on the budget setting process to provide information relating to activity planning assumptions, CCG reserves and risks for the financial year 2016/17.

**2 Summary**

- 2.1 The budgets for 2016/17 have been built upon the fundamentals contained within the CCG's recent five year strategy and are aligned with the financial plan submitted at the beginning of March to NHS England and shows the position of the CCG having adjusted for investments and savings.
- 2.2 Appendix 1 contains an income and expenditure summary of the 2016/17. The key budget setting control total for 2016/17 is outlined below in table 1:

*Table 1: 2016/17 budget setting control totals*

Category	£'m
Sources of funding	585.45
Applications	592.55
QIPP	-12.95
Net (surplus) / deficit	-5.85
Net (surplus) / deficit as % of funding	1.0%

**3 Budget setting process**

- 3.1 CCG budgets will be created against confirmed and anticipated resource limits ensuring that, upon inclusion of QIPP programmes, an overall balanced position is delivered which results in the 1% surplus NHS England (NHSE) business rule being achieved.
- 3.2 As an initial start point the recurrent budgets in the ledger at month 10 will be replicated into the ledger of the new financial year to create a baseline set of budgets.
- 3.3 Budgets will then be adjusted to reflect:
- Outturn issues based on an analysis of the recurrent elements of the month 10 forecast outturn position

- Changes in commissioning responsibilities (if applicable)
- Inflationary uplifts in line with national and local tariff assumptions
- Cash releasing efficiency savings (CRES) in line with national guidance

3.4 Currently the national tariff is under consultation however the financial position has been developed on the basis of information already shared as shown below in table 2:

*Table 2: Inflationary uplifts within the national tariff*

	%
Inflationary uplift including the impact of pensions changes	3.10
Efficiency (CRES) requirement	-2.00
Net inflationary change to prices	1.10
Additional impact of CNST (overall average price impact)	0.70
Net inflationary change to acute prices	1.80

3.5 The CNST impact is only applicable to acute providers of specific services (predominantly unplanned care and maternity providers) and is not included within the funding position of all acute service providers.

3.6 Surplus, contingency and headroom budgets will be update to reflect required NHSE business rules requirements as outlined below in table 3:

*Table 3: NHS England business rules requirement 2016/17*

Category	% required	£'000
Surplus (based on admin and programme budgets)	1.0%	5,855
Headroom (based on programme budgets)	1.0%	5,717
Contingency (based on admin and programme budgets)	0.5%	2,927

3.7 Commissioning budgets have been adjusted to reflect (demographic and non-demographic) growth where appropriate and include specific developments, where agreed, in line with those agreed by the governing body.

3.8 In year Quality, Innovation, Productivity and Prevention (QIPP) savings of £12.95m have been included within the budgetary positions against the relevant service contracts or programme areas. These savings represent cashable savings that are required by the CCG to achieve its required surplus target. Table 4 below shows the summary QIPP position by programme and scheme – further details relating to QIPP activity reduction assumptions are within table 6:

Table 4: Programme and scheme analysis of QIPP

Programme	Scheme	Value / £'m
Unplanned	Transforming care of older people Better Care Fund	1.40
Planned care	Musculoskeletal	0.50
	Outpatients	0.30
	Ophthalmology	0.20
	Advice and guidance	0.30
	Cardiology	0.20
Non acute budgets	Prescribing	1.90
	Continuing healthcare	0.50
	Better care fund integration	3.10
	Quality premium	0.50
	AWP resource mapping and demographics	0.90
Running costs	Running costs	0.50
Reserves	Improvement to 15/16 surplus position	1.90
	Slippage on investments	0.75
TOTAL QIPP CHALLENGE		12.95

- 3.9 It should be noted that the QIPP challenge identified is subject to further review dependent upon the outcome of contract settlements and any changes to the prior year financial position.
- 3.10 Running costs budgets will be set based on the agreed organisational structure and historic information of non-pay expenditure and contractual commitments. The overall running cost envelope has seen a minor increase in 2016/17 as a consequence of the review of population sizes included in the calculation of CCG allocations.
- 3.11 Funding has been set aside in relation to the better care fund in line with the mandated minimum value.
- 3.12 The national guidance requires CCGs to include investment in mental health to ensure parity of esteem with investment in acute services. To that effect CCGs must invest a minimum level of investment equivalent to the % level of allocation growth received. For Wiltshire this is 5.81% and has an associated value of £1.9m – this investment has been delivered predominantly through investment in the Daisy unit and CAMHS services.
- 3.13 Budgets have been set based upon confirmed and anticipated allocations for 2016/17 and can be seen within appendix 2.

## **4 Activity plan assumptions**

4.1 The CCG has produced two sets of plans for 2016/17 to satisfy a Unify2 submission for NHS England and a SLAM contract plan for use with major providers (those >£5m).

4.2 The key aspects of the Unify2 plan are outlined below:

- Built using SUS data (using pre-populated baseline and forecast outturns using NHS England algorithm)
- Initially based on month 6 ytd information from 2015/16, with month 9 ytd information used for secondary submissions. Profiling is based on previous 12 month actual activity patterns.
- The CCG has generated its own view of forecast outturns using local intelligence of part-year impacts RTT backlogs and other known changes.
- Demographic growth is applied. This is based on weighted list size growth. The population growth is age and case mix weighted.
- QIPP activity plans deducted (which have been sized at Point of Delivery, provider, HRG and speciality level for planned care schemes).
- The impact of commissioning intentions is included
- The activity plan is profiled with planned care based on operating days and unplanned care using calendar days. A comparison with the rolling 12 months is undertaken to ensure seasonality is allowed for.
- Trust cuts of the 2015/16 plans are being shared with plan providers to support triangulation of plans across our health economy.

4.3 The key aspects of the SLAM contract plans are shown below:

- Built using the latest available 2015/16 ytd data. This activity has been cut by point of delivery, HRG and speciality.
- Crude activity baselines for 2015/16 shared with providers.
- SUS to SLAM reconciliations were completed to identify data issues.
- Activity was adjusted for non- recurrent RTT waiting list initiatives and any rebasing adjustments for full year effect
- Population growth has been applied in a consistent manner to that in the Unify2 plans
- Trust specific QIPP is then deduced from baselines

- The impact of commissioning intentions is included
- Plans are profiled by month in a consistent manner to that in the Unify2 plans
- Plans were shared with Trusts to inform contract negotiations

4.4 The CCG's activity plan has a number of risks associated with it:

- Demographic growth is variable at practice level with some seeing differential growth in age-bands.
- Potential differences between the 2015/16 actual and forecast outturns especially due to different activity classifications.
- Assurance that any planned reclassification of activity between points of delivery are reflected in Trust SUS and SLAM submissions
- Out of hospital care service provision pressures seen in 2015/16 may not be resolved

4.5 Overall the CCG is planning for a net 1% increase in activity – the gross position is a 2% increase which is then offset through the QIPP initiatives summarised in section 3.8. This position is summarised below at Point of Delivery (POD) level:

*Table 5: Activity growth assumptions compared to prior year growth levels*

Activity type	% change	
	14/15 to 15/16 growth	16/17 plan growth
A&E	0.1%	1.0%
Non electives	1.0%	1.0%
1st outpatients	-3.3%	1.0%
Follow up outpatients	-7.2%	1.0%
Daycases	3.8%	1.0%
Inpatient electives	-3.8%	1.0%

*Table 6: Activity growth including QIPP requirement 16/17*

Type	15/16 FOT	16/17 growth	16/17 QIPP	16/17 plan	% growth pre QIPP	% growth post QIPP
A&E	135,724	1,358		137,082	1.0%	1.0%
NELs	49,844	1,292	-792	50,344	2.6%	1.0%
1st Cons OP	145,730	2,071	-613	147,188	1.4%	1.0%
FUP Cons OP	255,369	10,225	-7,673	257,921	4.0%	1.0%
All elective spells	57,005	1,460	-890	57,575	2.6%	1.0%

4.6 Appendix 3 contains a summary of the activity positions included within the 8<sup>th</sup> March 2016 return to NHS England.

## 5 Reserves

5.1 As outlined in section 3.6 the CCG is required to hold contingency and headroom reserves. In line with DoH and Treasury guidance, the CCG is not able to access its headroom funding without prior central approval as this funding is to be held to manage financial risk across the System Transformation Plan footprint.

## 6 Risks to the 2016/17 position

6.1 Summarised below in table 7 are the main risks to the 2016/17 financial position that were included within the NHS England planning return at the beginning of March:

*Table 7: Identified risks to the financial position*

Programme area	Risk	Full value / £'000s	Likelihood	Risk adjusted value / £'000s
Acute	Independent sector over performance	1,860	50%	930
Acute	Initial Trust contractual views vs. offers	6,870	60%	4,122
Community	Growth in birth rate and impact on maternity contract	400	20%	80
Mental health	Out of area placements risk	700	40%	280
Continuing care	Non delivery of QIPP	500	30%	150
Performance issues	RTT risk	2,160	75%	1,620
Prescribing	Non delivery of QIPP	1,900	25%	475
Other risks	removal of readmissions credits	1,662	100%	1,662
		16,052		9,319

6.2 After application of the contingency reserve the CCG has residual risks of £6.4m.

## 7 Recommendation

7.1 The Governing Body are asked to agree the 2016/17 budgets and the associated activity and QIPP assumptions that are inherent within the position.

## 8 Appendices

Appendix 1: Summary I&E report 2016/17

Appendix 2: Resource limit assumptions

Appendix 3: Activity summary included within NHS England return



**Appendix 1 – Summary I&E report 2016/17 (all values £'m)**

Income and Expenditure	Annual budget	FOT	FOT variance	FOT NR adj	FOT NR allocations	Rec FOT	Net inflation	Growth	Investments and CQUIN	QIPP	2016/17 budgets
<b>Acute services</b>											
Acute contracts -NHS (includes Ambulance services)	252.6	259.7	7.1	1.0	0.0	260.7	4.6	5.2	-0.6	-2.9	266.9
Acute contracts - Other providers (non-nhs, incl. VS)	24.2	25.1	0.8	-1.0	0.0	24.0	0.2	0.5	1.0	0.0	25.7
Acute - Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acute - Exclusions / cost per case	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acute - NCAs	7.0	6.5	-0.5	0.2	0.0	6.8	0.1	0.1	0.0	0.0	7.0
Acute - Pass-through payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total Acute services</b>	<b>283.8</b>	<b>291.3</b>	<b>7.5</b>	<b>0.2</b>	<b>0.0</b>	<b>291.5</b>	<b>4.9</b>	<b>5.8</b>	<b>0.4</b>	<b>-2.9</b>	<b>299.7</b>
<b>Mental Health services</b>											
MH contracts - NHS	37.1	37.3	0.2	-0.2	-0.3	36.8	0.4	0.4	1.0	-0.9	37.7
MH contracts - Other providers (non-nhs, incl. VS)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MH - Other	7.9	7.2	-0.7	0.1	-0.3	7.0	0.0	0.1	2.2	0.0	9.2
MH - Exclusions / cost per case	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MH - NCAs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MH - Pass-through payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total MH services</b>	<b>45.0</b>	<b>44.5</b>	<b>-0.5</b>	<b>0.0</b>	<b>-0.6</b>	<b>43.8</b>	<b>0.4</b>	<b>0.4</b>	<b>3.1</b>	<b>-0.9</b>	<b>46.9</b>
<b>Community Health Services</b>											
CH Contracts - NHS	56.0	55.3	-0.7	0.3	0.0	55.6	0.6	0.6	0.0	0.0	56.8
CH Contracts - Other providers (non-nhs, incl. VS)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CH - Other	2.0	2.4	0.4	-0.4	0.0	2.0	0.0	0.0	0.9	0.0	3.0
CH - Exclusions / cost per case	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CH - NCAs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CH - Pass-through payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Sub-total Community services</b>	<b>58.1</b>	<b>57.7</b>	<b>-0.3</b>	<b>-0.1</b>	<b>0.0</b>	<b>57.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.9</b>	<b>0.0</b>	<b>59.8</b>
<b>Continuing Care services</b>											
Continuing Care Services (All Care Groups)	18.8	18.5	-0.3	-1.0	0.0	17.6	0.0	0.2	0.0	-0.5	17.2
Local Authority / Joint Services	5.2	5.3	0.1	-0.1	-2.9	2.3	0.0	0.0	3.7	-3.1	2.9
Free Nursing Care	6.2	6.9	0.7	-0.5	0.0	6.4	0.0	0.1	1.0	0.0	7.4
<b>Sub-total Continuing Care services</b>	<b>30.2</b>	<b>30.8</b>	<b>0.6</b>	<b>-1.6</b>	<b>-2.9</b>	<b>26.2</b>	<b>0.0</b>	<b>0.3</b>	<b>4.7</b>	<b>-3.6</b>	<b>27.6</b>



**Appendix 2: resource limit assumptions**

Description	2015/16 / £'000s			2016/17 / £'000s			Comment
	Rec	NR	Total	Rec	NR	Total	
Baseline funding	507,575		507,575	538,783		538,783	
Growth allocation	19,860		19,860	31,370		31,370	
Resilience funding	2,763		2,763			0	Now within baseline
Health and social care	8,356		8,356			0	Now within baseline
Running costs	10,451		10,451	10,459		10,459	
B/f surplus		3,089	3,089		3,282	3,282	
GP IT allocation		1,240	1,240			0	
Overseas visitors		-20	-20			0	
Community equipment		2,900	2,900	1,525		1,525	
Quality premium		1,059	1,059			0	
ETO funding		1,325	1,325			0	
Waiting list validation		15	15			0	
Disorders and planning in 15/16		855	855			0	
Liaison Psychiatry - Mental Health		192	192			0	
South - BCF Support to region for struggling economies		11	11			0	
Neurology Commissioning Responsibility Transfer	229		229			0	Now within baseline
MoD OOHs		135	135			0	
Newborn hearing screening	34		34	34		34	
	549,268	10,801	560,069	582,171	3,282	585,453	

### Appendix 3: Activity summary within NHS England return

SUS Data			CSU algorithm			NHSE algorithm			Trust Plans			Trust Excess Growth
Ref	PoD	Provider	NHSE Monitoring			2016/17 Plans			2016/17 Plans			
			M9ytd			15/16	16/17		15/16	16/17		
			14/15	15/16	Diff	FOT	Plan	Diff	FOT	Plan	Diff	
E.C.3 / E.M.6	A&E (All)	GWH (A)	13,764	14,451	5.0%	19,522	19,720	1.0%	61,825	62,516	1.1%	0.1%
		RUH	16,056	15,708	(2.2%)	20,796	21,003	1.0%	20,883	21,389	2.4%	1.4%
		SFT	22,648	22,796	0.7%	30,090	30,390	1.0%	27,386	27,802	1.5%	0.5%
		<b>CCG Total</b>	<b>100,292</b>	<b>100,438</b>	<b>0.1%</b>	<b>135,724</b>	<b>137,082</b>	<b>1.0%</b>				
E.C.23 /E.M.5	NELs (All)	GWH (A)	7,843	8,156	4.0%	11,408	11,526	1.0%	13,396	13,843	3.3%	2.3%
		RUH	12,054	12,116	0.5%	16,380	16,544	1.0%	13,902	14,419	3.7%	2.7%
		SFT	13,101	13,201	0.8%	17,883	18,060	1.0%	19,225	19,496	1.4%	0.4%
		<b>CCG Total</b>	<b>36,223</b>	<b>36,571</b>	<b>1.0%</b>	<b>49,844</b>	<b>50,344</b>	<b>1.0%</b>				
E.C.24 / E.M.2	1st Cons OP	GWH (A)	24,190	24,768	2.4%	29,614	29,913	1.0%	35,268	40,413	14.6%	13.6%
		RUH	40,798	38,463	(5.7%)	42,204	42,626	1.0%	71,365	73,096	2.4%	1.4%
		SFT	46,718	46,192	(1.1%)	49,002	49,492	1.0%	49,540	51,357	3.7%	2.7%
		<b>CCG Total</b>	<b>136,145</b>	<b>131,685</b>	<b>(3.3%)</b>	<b>145,730</b>	<b>147,188</b>	<b>1.0%</b>				
E.C.6 / E.M.3	FUP Cons OP	GWH (A)	37,684	40,545	7.6%	46,384	46,847	1.0%	63,773	69,803	9.5%	8.5%
		RUH	75,992	88,157	16.0%	66,455	67,118	1.0%	82,458	84,454	2.4%	1.4%
		SFT	83,826	77,797	(7.2%)	89,862	90,763	1.0%	93,411	89,398	(4.3%)	(5.3%)
		<b>CCG Total</b>	<b>252,917</b>	<b>250,608</b>	<b>(0.9%)</b>	<b>255,369</b>	<b>257,921</b>	<b>1.0%</b>				
E.C.32	DC	GWH (A)	6,008	6,478	7.8%							
		RUH	7,586	7,890	4.0%							
		SFT	10,948	11,839	8.1%							
		<b>CCG Total</b>	<b>34,550</b>	<b>35,866</b>	<b>3.8%</b>							
E.C.21	OE	GWH (A)	1,405	1,375	(2.1%)							
		RUH	1,901	1,781	(6.3%)							
		SFT	2,624	2,458	(6.3%)							
		<b>CCG Total</b>	<b>8,340</b>	<b>8,020</b>	<b>(3.8%)</b>							
E.C.21 & E.C.32 / E.M.4	All Elective Spells (All)	GWH (A)	7,413	7,853	5.9%	10,526	10,634	1.0%	13,396	13,843	3.3%	2.3%
		RUH	9,487	9,671	1.9%	13,426	13,560	1.0%	13,902	14,419	3.7%	2.7%
		SFT	13,572	14,297	5.3%	18,868	19,054	1.0%	19,324	20,396	5.5%	4.6%
		<b>CCG Total</b>	<b>42,890</b>	<b>43,886</b>	<b>2.3%</b>	<b>57,005</b>	<b>57,575</b>	<b>1.0%</b>				