

**Clinical Commissioning Group Governing Body  
Paper Summary Sheet**

**Date of Meeting: 25 March 2014**

For: Public Session  For Private Session

For: Decision  Discussion  Noting

<b>Agenda Item and title:</b>	<b>GOV/14/03/11 Annual Budgets 2014/15</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>	To report to the CCG Governing Body on the budget setting process for the financial year 2014-15.  Budgets represent the funding made available and the investment priorities and savings as outlined within the CCG's five year strategic plan.  The CCG is planning for a 1% surplus of £5.3m.
<b>Evidence in support of arguments:</b>	
<b>Who has been involved/contributed:</b>	CCG Governing Body, Group Executive members.
<b>Cross Reference to Strategic Objectives:</b>	"Everyone Counts: Planning for Patients 2014/15 to 2018/19", Wiltshire CCG Medium Term Financial Plan, Wiltshire CCG five year strategic plan.
<b>Engagement and Involvement:</b>	n/a
<b>Communications Issues:</b>	n/a
<b>Financial Implications:</b>	The budget setting approach will set out the devolved budgetary envelopes that budget holders have to operate in and their associated QIPP targets.

<b>Review arrangements:</b>	Updates provided to the Governing Body on a monthly basis of significant movements in budgets and allocations as part of the integrated performance report.
<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.</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>
<b>National Policy/ Legislation:</b>	
<b>Equality &amp; Diversity:</b>	Not applicable
<b>Other External Assessment:</b>	
<b>What specific action do you wish the Governing Body to take?</b>	The Governing Body are asked to agree the budget setting process for 2014/15 and associated budgetary positions.

**NHS Wiltshire Clinical Commissioning Group**

**Annual Budgets 2014/15**

**1 Introduction**

1.1 To report to the governing body on the budget setting process for the financial year 2014/15.

**2 Summary**

2.1 The budgets for 2014/15 have been built upon the fundamentals contained within the CCG's recent five year strategy and are aligned with the financial plan submitted to the Local Area Team which shows the position of the CCG having adjusted for investments and savings.

2.2 Appendix 1 contains an income and expenditure summary of the 2014/15 budgets. The key budget setting control total for 2014/15 is outlined below:

Table 1 analysis of 2014/15 budgetary control totals

Category	£'m
Sources of funding	-528.9
Applications	535.2
Savings plans	-11.6
	<hr/>
	-5.3

**3 Budget setting process**

3.1 WCCG budgets will be created against confirmed and anticipated resource limits ensuring that upon inclusion of QIPP programmes that an overall balanced position is delivered.

3.2 As an initial start point the recurrent budgets in the ledger at month 11 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 pressures and benefits based on an analysis of the recurrent elements of the forecast outturn positions

- 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 These adjustments will then provide updated opening positions against which agreed investments / disinvestments and contract value updates will be included.

3.5 Surplus, contingency and headroom budgets will be updated to reflect required target values.

3.6 Adjustments will be made to the pay budgets within running costs in line with national pay settlements.

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 £11.6m 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 surplus target.

3.9 Summarised below are the QIPP savings requirements split by programme area are shown below:

Table 2 – Programme analysis of QIPP schemes

Programme area	£'m
Planned care	-4.1
Unplanned care	-3.1
Medicines management	-2.5
Continuing Healthcare	-1.5
Free nursing care	-0.5
	-11.6

3.10 Budgets have been set based upon confirmed and anticipated allocations for 2013/14. These anticipated sources have been applied to the reserves budgets and will be devolved upon confirmation of receipt. Appendix 2 contains a breakdown of the allocations.

#### **4 Further work**

- 4.1 Obtain formal budget holder “sign off” for the initial budgets before the end of March. To date Group Directors have been involved in understanding and agreeing the financial envelopes associated with the main contracts that their groups are responsible for and for their individual running cost envelopes.
- 4.2 Update commissioning budgets to reflect signed contract values once finalised.
- 4.3 Budgets have initially been phased in twelfths to reflect the anticipated expenditure profile of the majority of our budgets. Some areas will required re-phasing e.g. prescribing to reflect actual usage based on local assumptions.
- 4.4 Update the budgetary analysis within the ledger to include updates once available to the Integrated Single Financial Environment (ISFE).

## **5 Reporting process**

- 5.1 Wiltshire CCG provides its groups with a summary financial report on a monthly basis highlighting the key issues affecting the contracts that they are responsible for.
- 5.2 Running cost budget holders receive a monthly budget report, and associated pay report, for the budgets that they have delegated responsibility for within 9 working days.
- 5.3 Performance will be monitored directly by NHS England through the ISFE and supplemented through additional financial returns on a monthly basis.

## **6 Risk management and reserves**

- 6.1 To enable management of risks that arise during 2014/15 a contingency reserve (equivalent to 0.5% of recurrent resources) will be maintained.
- 6.2 Alongside this a headroom reserve (equivalent to 2.5% of recurrent resources) will be maintained to support the non recurrent costs associated with service redesign. In 2014/15 the CCG has already earmarked this investment in line with national and local requirements as shown in table 3:

Table 3: Headroom commitments in 2014/15

	£'m
Call to action fund	5.1
Better care fund	2.6
B/f commitments / pilots from prior year	2.9
CHC retrospective risk pool contribution	2.0
Balance available	0.2
	<u>12.8</u>

- 6.3 The CCG have also applied national tariff guidance to NHS providers in respect of non-elective marginal rate and re-admissions payments. These adjustments are held, on a non-recurrent basis, within reserves with the intention of being applied to support the local health economy.

## **7 Recommendation**

7.1 The Governing Body are asked to:

- Note the context and background to the budget setting process
- Agree the budgets for 2014/15

## **8 Appendices**

Appendix 1: I&E report view of the 2014/15 budgets

Appendix 2: WCCG allocations 2014/15

## Appendix 1

	£'m								
	2013/14 b/f position	Net inflation / CRES	Growth	Developments	Marginal rate adjustment	Readmissions funding adjustment	QIPP	Total	
Acute services (incl ambulances)									
NHS providers	253.2	-3.8	5.1	-0.4	-2.0	-1.9	-6.4	243.7	
Other providers	20.7	-0.3	0.4	0.1	0.0	0.0	-0.7	20.2	
Non contracted activity	5.5	-0.1	0.1	0.0	0.0	0.0	0.0	5.5	
	279.4	-4.3	5.6	-0.3	-2.0	-1.9	-7.1	269.4	
Mental health services									
NHS providers	37.3	-0.7	0.0	0.0	0.0	0.0	0.0	36.6	
Other providers	4.5	-0.1	0.1	0.0	0.0	0.0	0.0	4.5	
	41.8	-0.8	0.1	0.0	0.0	0.0	0.0	41.1	
Community services									
NHS providers	53.6	-1.0	0.0	0.1	0.0	0.0	0.0	52.8	
Other providers	2.1	0.0	0.0	0.0	0.0	0.0	0.0	2.1	
	55.7	-1.0	0.1	0.1	0.0	0.0	0.0	54.9	
Other commissioning									
Continuing care services	18.1	-0.3	0.3	0.0	0.0	0.0	-1.5	16.6	
Free nursing care	6.7	-0.1	0.1	0.0	0.0	0.0	-0.5	6.2	
Local authority and joint services	10.6	-0.2	0.2	0.0	0.0	0.0	0.0	10.6	
Other programme services	3.3	0.0	0.0	1.2	0.0	0.0	0.0	4.5	
	38.7	-0.6	0.6	1.2	0.0	0.0	-2.0	37.9	
Primary care services									
Prescribing	68.0	0.0	1.7	0.0	0.0	0.0	-2.5	67.2	
Out of hours	8.2	-0.1	0.1	0.2	0.0	0.0	0.0	8.3	
Local enhanced services	7.3	-0.1	0.1	0.3	0.0	0.0	0.0	7.6	
	83.5	-0.3	2.0	0.5	0.0	0.0	-2.5	83.2	
Programme reserves									
13/14 SCG adjustments to action in 14/15	3.8	0.0	0.0	0.0	0.0	0.0	0.0	3.8	
Contingency	0.0	0.0	0.0	2.6	0.0	0.0	0.0	2.6	





## Appendix 2

Source - programme	2014 / 15 £'ms		
	Rec	NR	TOTAL
Notified allocations			
Baseline allocation	501.5	0.0	501.5
Adjustment to baseline	0.0	0.0	0.0
	501.5	0.0	501.5
Growth on baseline	10.7	0.0	10.7
	512.2	0.0	512.2
Anticipated allocations			
B/f surplus	0.0	5.0	5.0
Capital grants - anticipated but not shown in summary position	0.0	0.0	0.0
	0.0	5.0	5.0
	512.2	5.0	517.2

Source - running costs	2014 / 15 £'ms		
	Rec	NR	TOTAL
Notified allocations			
Running cost allowance	11.7	0.0	11.7
Change in running costs	(0.1)	0.0	(0.1)
	11.6	0.0	11.6
Anticipated allocations			
x	0.0	0.0	0.0
	0.0	0.0	0.0
	11.6	0.0	11.6

Source - ALL	2014 / 15 £'000s		
	Rec	NR	TOTAL
Notified allocations			
Programme	512.2	0.0	512.2
Running costs	11.6	0.0	11.6
	523.8	0.0	523.8
Anticipated allocations			
Programme	0.0	5.0	5.0
Running costs	0.0	0.0	0.0
	0.0	5.0	5.0
	523.8	5.0	528.9