NHS
Wiltshire
Clinical Commissioning Group

Clinical Commissioning Group Governing Body
Paper Summary Sheet
Date of Meeting: 24 March 2015

For: PUBLIC session ☒ PRIVATE Session ☐

For: Decision ☒ Discussion ☐ Noting ☐

Agenda Item and title:	**GOV/15/03/10 NHS Wiltshire CCG Draft Budget 2015/16**
Author:	Steve Perkins, Deputy Chief Financial Officer
Lead Director/GP from CCG:	Simon Truelove, Chief Financial Officer
Executive summary:	To report to the CCG finance committee on the budget setting process for the 2015/16 financial year. 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. The CCG is planning for a 1% surplus in 2015/16.
Evidence in support of arguments:	The CCG must operate within its financial allocation and delivery a 1% surplus in line with the NHS business rules.
Who has been involved/contributed:	Finance, information and commissioning teams.
Cross Reference to Strategic Objectives:	"Everyone Counts: Planning for Patients 2014/15 to 2018/19", Wiltshire CCG Medium Term Financial Plan, Wiltshire CCG five year strategic plan
Engagement and Involvement:	n/a
Communications Issues:	n/a

Financial Implications:	The CCG must operate within its financial allocation and delivery a 1% surplus in line with the NHS business rules.
Review arrangements:	Budgets are generated on an annual basis. On a monthly basis the Integrated Performance Report will provide an update on delivery against these budgets and highlight movements within budgets to match agreed developments and resource limit changes.
Risk Management:	The key risks are associated with not delivering the planned level of surplus or the required levels of QIPP savings / redesign. 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. 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. The current risks less mitigations position shows a net risk to the organisation of £1.7m.
National Policy/ Legislation:	In line with the NHS England business rules and investment priorities.
Public Health Implications:	n/a
Equality & Diversity:	n/a
Other External Assessment:	n/a
What specific action re. the paper do you wish the Governing Body to take at the meeting?	The Governing Body is asked to adopt the 2015/16 budgets and to provide direction on the approach to be taken in relation to the risks and mitigations shortfall position.

NHS Wiltshire Clinical Commissioning Group
Annual Budgets 2015/16

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 2015/16.

2 Context

2.1 The CCG financial position has been challenging in 2014/15 due to high levels of demand at the start of the year in the acute sector and unforeseen costs in primary care prescribing and mental health placements. The CCG had a strategy to continue to invest in the out of hospital services in order to deliver the planned QIPP targets of £11.6m however delivery has fallen significantly below plan. This has resulted in the CCG not delivering its control total of £5.3m by £2m.

2.2 The budget for 2015/16 reflects a plan that will bring financial stability back to Wiltshire. The plan reflects a reduced level of investment compared to previous years and focuses on delivering the services that were set up in 2015/16. The new growth monies received by the CCG for 2015/16 has mitigated the recurrent overspends from 2014/15 and therefore reduces the QIPP burden in 2015/16.The budget also requires the CCG to focus on delivering a financial return on previous investments before considering new investment proposals. Lastly the CCG will maximise the level of reserves it holds in order to mitigate in year financial pressure created from contract over performance and non-delivery of QIPP.

2.3 2015/16 needs to be a year of consolidation for the CCG and one which halts the growth of the acute sector in order to deliver future resources to support the overall CCG strategy.

3 Summary

3.1 The budgets for 2015/16 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 end of February to NHS England and shows the position of the CCG having adjusted for investments and savings.

3.2 Appendix 1 contains an income and expenditure summary of the 2015/16. The key budget setting control total for 2015/16 is outlined below in table 1:

Table 1: 2015/16 budget setting control totals

Category	£'m
Sources of funding	-552.0
Applications	556.0
Savings	-9.5
	-5.5

4 Budget setting process

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

4.2 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.

4.3 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

4.4 Currently there is a degree of uncertainty surrounding the national tariff assumptions. The proposed tariff arrangements for 2015/16, which were consulted on, were rejected by over 51% of providers requiring the pricing authorities to either refer their proposals to the Competition and Markets Authority for review, or consult the NHS again on a revised pricing plan. NHS England and Monitor have provided two options to providers to choose from: Default Tariff Rollover (DTR) or Enhanced Tariff Option (ETO). A comparison table of these options is shown below in table 2:

Table 2: Comparison of assumptions for CCGs between tariff options

	Consultation	ETO	DTR
Inflation	1.9%	1.90%	0.0%
CNST impact (acute providers)	1.1%	1.10%	0.0%
CRES	-3.8%	-3.50%	0.0%
CQUIN	2.5%	2.50%	0.0%
Marginal rate (provider : commissioner)	50:50	70:30	30:70

4.5 The majority of providers have elected to adopt the ETO tariff option. This position is incorporated within the financial plan, and associated QIPP value, and has resulted in a financial pressure of c£2m compared with the assumptions that were included in the consultation tariff.

4.6 The combined impact of these adjustments will then provide updated opening positions against which agreed investments / disinvestments and contract value updates will be included.

4.7 Surplus, contingency and headroom budgets will be updated to reflect required NHS Business rules requirements as outlined below in table 3:

Table 3 NHS England business rules requirement

	% required	£'000s
Surplus (based on admin and programme budgets)	1.0%	5,521
Headroom (based on programme budgets)	1.0%	5,301
Contingency	0.5%	2,761

4.8 Adjustments will be made to the pay budgets within running costs in line with national pay settlements and to reduce expenditure in line with the 10.2% reduction in running costs funding.

4.9 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.

4.10 In year Quality, Innovation, Productivity and Prevention (QIPP) savings of £9.5m 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. Table 4 below shows the summary QIPP position by programme area.

Table 4: Programme analysis of QIPP

Programme area	£'000s				
	Q1	Q2	Q3	Q4	Total
Unplanned care	1,386	1,386	1,386	1,386	5,544
Planned care	293	371	465	486	1,615
Prescribing	376	376	376	375	1,503
Continuing healthcare	217	217	217	218	869
	2,272	2,350	2,444	2,465	9,531

4.11 It should be noted that the QIPP challenge identified is subject to further review dependent upon the outcome of the contract settlements and any changes to previous funding arrangements to support capital grants for community equipment (c£3.2m).

4.12 Funding has been set aside in relation to the better care fund in line with the required £27.1m level of funding.

4.13 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 after resilience funding investment. For Wiltshire this is 3.9% and has an associated value of £1.6m.

4.14 The budget also includes a recurrent allocation of £2.8m for operational resilience. This funding will be used to support services deal with times of high demand and periods of heightened escalation.

4.15 Budgets have been set based upon confirmed and anticipated allocations for 2015/16 and can be seen within appendix 2.

5 Activity plan assumptions

5.1 Summarised below are the key principles that have been used to build a capacity plan for the CCG.

- Built using activity data that relies on information from 2013/14 and 2014/15

- Include adjustments to activity data that crosses financial years to correct anomalies identified

- Adjust the activity forecast outturn for non-recurrent RTT waiting list initiatives and any rebasing adjustments for full year effect

- Apply demographic growth. This is based on weighted list size growth (which is twice the growth rate of the ONS projection previously used). The population growth is age and case mix weighted and equates to approximately 1%.

- QIPP activity plans deducted from the activity baselines (which have been sized at point of delivery, provider, HRG and speciality level).

- Incorporate the impact of commissioning intentions

- Profile the activity plans 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.

- Produce Trust perspectives of the 2015/16 plans for sharing with plan providers to support triangulation of plans across our health economy.

5.2 The CCG's activity plan, which is linked to a provider over-performance risk, has a number of risks associated with it:

- Demographic growth is higher than the ONS census projections used for financial allocations. An adjustment for non- demographic growth was included in the financial envelopes but may not fully address practice list size growth in all localities.

- Potential differences between the 2014/15 actual and planned outturns

- 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 2014/15 may not be resolved

6 Risks to the 2015/16 financial position

6.1 Summarised below in table 5 are the high level risks to the 2015/16 financial position:

Table 5: Financial risks to the 2015/16 position

	£'m
Provider over-performance due to activity demand / planning	1.9
Non delivery of QIPP initiatives based on 2014/15 performance	2.9
Continued use of out of area placements due to staffing and capacity constraints with mental health providers	0.5
Impact of Novel Oral Anti-coagulants and other new drugs	0.7
Capital grant funding for the community equipment service	3.2
	9.2

6.2 The mitigation options available to the CCG to mitigate these risks are summarised below in table 6:

Table 6: Mitigation options available to the CCG

	£'m
Application of contingency reserve	-2.8
Non recurrent slippage on investments	-1.5
Central funding for capital grants	-3.2
	-7.5

6.3 After accounting for mitigating options there is a shortfall of mitigations c£1.7m.

7 Reserves

7.1 As outlined in 3.7 above the CCG is required to hold a contingency and headroom reserve. In addition the CCG has ring-fenced the operational resilience funding (c£2.8m) and the 30% retained element of the marginal rate threshold adjustment (c£1.2m).

7.2 Against these reserves there are only commitments assumed against headroom as summarised below in table 6:

Table 7: CCG reserves and current commitments

	£'m		
Reserve	Value	Commitments	Balance
Contingency	2.8		2.8
Resilience funding	2.8		2.8
Marginal rate threshold	1.2		1.2
Headroom	5.3	3.7	1.6
	12.0	3.7	8.4

7.3 As highlighted within 5.3 there is a shortfall of mitigations against risks of £1.7m. The remaining options available to the CCG to mitigate these from existing reserves are:

- Apply the balance of uncommitted headroom funding as an additional contingency

- Hold the resilience funding centrally to apply as a mitigation to the risks due to the additional investments that have been made in urgent care through the better care fund which are in excess of this funding

8 Recommendation

8.1 The Governing Body are asked to adopt the 2015/16 budgets and to provide direction on the approach required to address the risks and mitigations shortfall position.

9 Appendices

9.1 Appendix 1: Summary I&E report 2015/16

Appendix 2: Resource limit assumptions

Appendix 1: Summary Income and Expenditure position 2015/16

Income and Expenditure	FOT	Annual budget	FOT variance	NR adj	MRET and readmissions adj	Opening 15/16 position	Net inflation	Growth	Investments and CQUIN	Readmissions and MRET adj	QIPP	15/16 budgets
Acute services												
Acute contracts -NHS (includes Ambulance services)	253.7	244.5	9.1	2.1	4.8	256.3	-1.5	2.6	0.0	-3.2	-7.0	247.2
Acute contracts - Other providers (non-nhs, incl. VS)	20.7	18.6	2.1	0.8	0.0	19.9	-0.1	0.2	0.0	0.0	-0.1	19.9
Acute - Other	2.6	2.3	0.3	0.3	0.0	2.3	0.0	0.0	0.0	0.0	0.0	2.3
Acute - Exclusions / cost per case	0.1	0.2	-0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Acute - NCAs	6.9	5.9	1.0	0.0	0.0	6.9	0.0	0.1	0.0	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	0.0
Sub-total Acute services	284.0	271.5	12.4	3.2	4.8	285.5	-1.6	2.9	0.0	-3.2	-7.1	276.5
Mental Health services												
MH contracts - NHS	37.8	36.9	1.0	1.0	0.0	36.9	-0.6	0.0	0.0	0.0	0.0	36.3
MH contracts - Other providers (non-nhs, incl. VS)	4.3	4.9	-0.5	-0.6	0.0	4.9	-0.1	0.1	1.6	0.0	0.0	6.5
MH - Other	1.4	1.4	0.0	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0	1.4
Sub-total MH services	43.6	43.1	0.5	0.4	0.0	43.2	-0.7	0.1	1.6	0.0	0.0	44.2
Community Health Services												
CH Contracts - NHS	53.0	53.0	0.0	0.4	0.0	52.6	-0.8	0.0	0.0	0.0	0.0	51.7
CH Contracts - Other providers (non-nhs, incl. VS)	4.4	4.3	0.1	0.0	0.0	4.4	-0.1	0.0	0.0	0.0	0.0	4.4
Sub-total Community services	57.4	57.3	0.1	0.4	0.0	57.0	-0.9	0.0	0.0	0.0	0.0	56.2
Continuing Care Services (All Care Groups)	18.8	17.4	1.5	1.1	0.0	17.7	-0.2	0.5	0.0	0.0	-0.9	17.2
Local Authority / Joint Services	10.1	9.9	0.3	5.9	0.0	4.2	0.0	0.0	0.0	0.0	0.0	4.2
Free Nursing Care	6.8	6.2	0.6	0.6	0.0	6.2	-0.1	0.1	0.0	0.0	0.0	6.2
Sub-total Continuing Care services	35.8	33.4	2.3	7.6	0.0	28.1	-0.3	0.7	0.0	0.0	-0.9	27.6
Primary Care services												
Prescribing	70.5	67.8	2.7	1.5	0.0	69.0	0.0	2.6	0.7	0.0	-1.5	70.7
Community Base Services	1.0	2.5	-1.5	-1.5	0.0	2.5	0.0	0.0	0.0	0.0	0.0	2.5
Out of Hours	7.7	8.0	-0.3	-0.3	0.0	8.0	-0.1	0.1	0.1	0.0	0.0	8.1
PC - Other	6.6	6.8	-0.2	-0.2	0.0	6.9	-0.1	0.1	0.2	0.0	0.0	7.0
Sub-total Primary Care services	85.8	85.1	0.7	-0.5	0.0	86.4	-0.2	2.7	0.9	0.0	-1.5	88.3
Other Programme services												
GP IT Costs	1.2	1.2	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NHS Property Services re-charge (excluding running cost)	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Social Care	0.0	0.0	0.0	-3.2	0.0	3.2	0.0	0.0	23.9	0.0	0.0	27.1
Other CCG reserves	-2.1	4.3	-6.3	-3.1	0.0	1.0	0.0	0.0	0.6	1.2	0.0	2.8
Other Programme Services	14.1	19.0	-4.9	12.1	0.0	1.9	0.0	0.0	8.6	0.0	0.0	10.5

Sub-total Other Programme services	13.2	24.4	-11.3	7.0	0.0	6.2	0.0	0.0	33.0	1.2	0.0	40.5
Total - Commissioning services	519.8	515.0	4.8	18.1	4.8	506.5	-3.7	6.4	35.5	-2.0	-9.5	533.3
Running costs	11.6	11.6	0.0	1.1	0.0	10.6	0.0	0.0	-0.1	0.0	0.0	10.5
Contingency	0.0	2.6	-2.6	0.0	0.0	0.0	0.0	0.0	2.8	0.0	0.0	2.8
TOTAL	531.5	529.2	2.2	19.2	4.8	517.0	-3.7	6.4	38.2	-2.0	-9.5	546.5
										Resource limit		-552.0
										Planned surplus		-5.5

Appendix 2: Resource limit assumptions

Description	2014/15 £'000s Recurrent	Non recurrent	Total	2015/16 £'000s Recurrent	Non recurrent	Total
Baseline programme funding	501,463		501,463	507,496		507,496
Programme growth	10,731		10,731	19,862		19,862
Running costs funding	11,635		11,635	11,635		11,635
Running costs reduction			0	-1,184		-1,184
Specialist commissioning adjustments	-4,698	9	-4,689			0
B/f surplus		5,047	5,047		3,089	3,089
Support for health and social care funding			0	8,356		8,356
Capital grants		2,700	2,700			0
GP IT		1,208	1,208			0
Resilience funding		4,299	4,299	2,762		2,762
RTT funding		2,008	2,008			0
Quality premium		437	437			0
Overseas visitors		-337	-337			0
	519,131	15,371	534,502	548,927	3,089	552,016