

Paper Summary Sheet

Presented to:	Governing Body - Public
Date of Meeting:	27 March 2018
For:	Decision

Agenda Reference:	GOV/18/03/10
Title:	NHS Funding Settlement Impact and Budget Setting 2018/19
Executive summary:	
<p>To report to the CCG Governing Body on confirmation of the 2018/19 funding settlement to the CCG and the associated budget setting process for the 2018/19 financial year.</p> <p>Budgets represent the funding made available, the investment priorities and QIPP requirements as outlined within the CCG's operational plan and associated planning submission to NHS England.</p> <p>The CCG is planning for a cumulative 1% surplus of recurrent resources at the end of 2018/19.</p>	
Recommendations:	The Governing Body is asked to recommend the adoption of the 2018/19 budgets.
Previously considered by:	Finance and Performance Committee
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Sponsoring Director / Clinical Lead/ Lay Member:	Steve Perkins – Chief Financial Officer

Risk and Assurance:	<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>
Financial / Resource Implications:	NHS England business rules require that a cumulative 1% surplus is delivered (with only the in-year element reported). 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 of commissioning expenditure which may lead to decisions being made in respect to decommissioning and/or reviewing access criteria

	<p>to ensure that the CCG can afford to fund care for those who need it.</p> <p>If the CCG is not able to successfully deliver the financial business rules, and ensure financial sustainability, NHS England will enact appropriate assurance measures.</p>
Legal, Policy and Regulatory Requirements:	NHS England financial requirements
Communications and Engagement:	N/A
Equality & Diversity Assessment:	N/A

NHS Wiltshire CCG Governing Body 27th March 2018

NHS Funding Settlement Impact and Budget Setting 2018/19

1 Introduction

To report to the Governing Body on the NHS funding settlement impact for 2018/19 and the approach to setting 2018/19 budgets.

2 Summary

The basis of the 2018/19 core allocations remain unchanged from those published within the Government's 2016/17-2020/21 Comprehensive Spending Review. There have been subsequent updates to reflect the impact of changes to tariff arrangements and specialised commissioning transfers. In addition the Chancellor announced a further allocation of £1.6bn to the Health Service in the 2017 Autumn Statement – of this, c£0.6bn is being included within commissioner allocations representing an additional c£5m for Wiltshire.

The budgets for 2018/19 have been built upon the fundamentals contained within the CCG's recent operational plan submitted to NHS England (NHSE). From a planning perspective the build-up of the budget positions and underpinning assumptions are aligned with partners within the Sustainability and Transformation Partnership (STP).

Appendix 1 contains an income and expenditure summary of the 2018/19. The key budget setting control total for 2018/19 is outlined below in table 1:

Table 1: 2018/19 budget setting control totals

Category	£'m
Sources of funding	(676.7)
Applications	692.3
QIPP	(15.8)
Net In-Year (surplus) / deficit:	(0.195)

Balance Sheet Memo	£'m
B/F 17/18 Surplus inc 17/18 In-Year	(6.1)
18/19 Planned In-Year Surplus	(0.2)
B/F 16/17 Retained Headroom	(5.5)
18/19 Total Surplus C/F	(11.8)

Under NHSE business rules CCGs are required to deliver a cumulative 1% surplus based on their recurrent resources. The CCG is monitored on its achievement of the in-year element of this. For 2018/19 the in-year surplus required by the CCG is £195k giving a total accumulated 1% surplus of £6.3m.

In addition to its brought forward operating surplus, the CCG holds a brought forward balance relating to prior year headroom which was released to the surplus line at the end of 2016/17. In 2017/18 the CCG is holding a risk reserve of 0.5%, £2.9m. At the time of writing this report the CCG has not yet received confirmation as to the treatment of this reserve for 2017/18 year end, and therefore it is currently excluded from the brought forward figures in the table above.

3 Allocations

The basis of the 2018/19 core allocations remain unchanged from those published within the Government's 2016/17-2020/21 Comprehensive Spending Review. There have been subsequent updates to reflect the impact of changes to tariff arrangements and specialised commissioning transfers. In addition the Chancellor announced a further allocation of £1.6bn to the Health Service in the 2017 Autumn Statement – of this, c£0.6bn is being included within commissioner allocations representing an additional c£5m for Wiltshire.

The £1.6bn is further increased by the release of £540m to a total £2.14bn due to the decision that there will be no separate winter pressures funding in 2018/19. The plans for this national funding are summarised below in table 2.

Table 2: Autumn budget statement additional funding and applications

Additional Funding	£'m
Funding announced during 2017 Autumn Statement	1,600
Additional funding (ex-Winter Pressures)	540
Total Additional Funding	2,140
Applications	£'m
- Commissioners Sustainability Fund (for CCGs in deficit)	400
- CCG Allocations to fund activity growth	604
- Providers in deficit (meeting Sustainability and Transformation Fund criteria)	650
- Specialised Services	354
- Direct Commissioning	71
- GPFV	61
Total Applications	2,140

A full breakdown of the CCG's resource limit assumptions for 2018/19 can be found in appendix 2.

4 Financial Planning Process

CCG financial plans have been created against confirmed resource limits ensuring that, upon inclusion of QIPP programmes, an overall balanced position is delivered which results in the achievement of an accumulated 1% surplus, plus brought forward retained headroom balances. This will meet the requirements of NHSE business rules. The CCG is monitored on its achievement of the in-year element of this. For 2017/18 the in-year surplus required by the CCG is £57k. The position in table 1 currently assumes that the 2017/18 surplus is returned to the CCG, as it was in 2016/17, to be held on the balance sheet.

The B&NES, Swindon and Wiltshire STP agreed broad principles within which financial plans have been based. All organisations have used 2017/18 month 9 forecasts as a starting point, and have applied NHSE's Indicative Hospital Activity Model (IHAM) growth assumptions as a default, with agreement to share other planning assumptions as they become available.

As an initial start point the recurrent budgets included in the financial plan will be replicated into the ledger of the new financial year to create a baseline set of budgets. Budgets will then be adjusted to reflect:

- Any changes to the agreed contract positions with providers e.g. to reflect specific changes such as Identification Rules
- Changes in commissioning responsibilities (if applicable)
- Investments or disinvestments in services where required

The budgetary positions included in the financial plan are inclusive of inflationary and cash releasing efficiency saving (CRES) requirements, as included within the national Payment by Results (PbR) tariffs.

In addition, budgets have been adjusted to represent demographic and non-demographic growth requirements – for acute services these are linked to the IHAM values which NHSE support.

The impact of changes to contribution levels to the Clinical Negligence Scheme for Trusts (CNST) is included within the agreed contractual positions via tariff uplifts, where relevant as it is only applicable to acute providers of specific services (predominantly unplanned care and maternity providers).

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

Table 3: NHS England business rules requirement 2018/19

Category	% required	£m
Cumulative surplus (based on recurrent admin and programme budgets)	1.00%	6.3
In year surplus (contained within cumulative surplus)		0.2
Cumulative headroom carried forward		5.5
Contingency (based on total admin and programme budgets)	0.50%	3.4

The headroom carried forward represents the 2016/17 brought forward risk reserve only, as the treatment of the risk reserve held in 2017/18 has not yet been confirmed.

As part of managing the overall financial risk to the NHS in 2017/18 the CCG set aside 50% of its headroom as a system risk reserve however this is not required in 2018/19. The CCG has committed to maintaining a headroom reserve in 2018/19 to enable it to pump prime and support service redesign

Running costs budgets will be set based on the agreed organisational structure and historic information of non-pay expenditure and contractual commitments. Updates will be included to pay budgets upon confirmation of the national pay award position – it is anticipated that if this is above the previous 1% settlements seen that additional funding will be passed to the CCG for this cost pressure in line with the announcement previously made by the Chancellor.

Funding has continued to be set aside in relation to the Better Care Fund that exceeds the mandated minimum value to be pooled.

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, against its current level of mental health expenditure, equivalent to the % level of allocation growth received. For

Wiltshire this represents a 3.25% increase in expenditure over and above its current expenditure level, which the CCG has provided for and intends to use to support cost pressures within mental health and to support the co-creation of initiatives to reduce service pressures exhibited.

As part of producing a balanced financial plan QIPP savings of £15.8m have been included within budgets.

5 QIPP

In order for the CCG to achieve its required surplus target, in year cashable QIPP savings of £15.8m need to be achieved by the CCG. The CCG has identified and assessed potential schemes to build a programme of QIPP activity to meet this requirement. A summary of the current schemes is set out in table 4.

Table 4: Programme and scheme analysis of QIPP

Programme / Scheme	Value £m
Planned Care	
Muscular Skeletal (MSK)	0.2
Patient Initiated Follow Ups (PIFUs)	0.1
Demand Management	0.1
Ophthalmology	0.2
Gastro	0.0
Clinical Policies	0.2
Consultant Connect	0.1
Lucentis / Avastin	0.1
Blueteq	0.8
Unplanned Care	
Ambulatory Care Tariff	1.9
Primary Care	
Prescribing	3.3
Community	
Children's Estates	0.2
Continuing Care	
Funded Nursing Care (FNC) Review	0.4
Quality Premium	
Quality Premium Funding Receipt	0.5
Running Costs	
Vacancy Factor	0.4
Reserves	
Muscular Skeletal released from Headroom	1.2
Non-recurrent Adjustment	1.5
Contract adjustments	1.0
Unidentified	3.6
Total	15.8

It should be noted that the QIPP challenge identified is subject to further review dependent upon the outcome of out of area contract settlements and any changes to the prior year financial position. On-going monitoring of schemes will be undertaken by the Project Management Office and reviewed by the Finance and Performance Committee.

This further review will be used to bridge the current unidentified QIPP challenge which is the first call on contingent reserves until mitigated.

6 Risks to the 2018/19 position

The key risks are associated with not delivering the planned level of surplus or the required levels of QIPP savings / redesign. Acute contract over-performance and RTT pressures are expected to pose the biggest risk to the position, followed by the risk of eligibility disputes arising in continuing health care.

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.

7 Activity plan assumptions

As part of the STP planning process a common set of activity assumptions are used to ensure consistency of approach between providers and commissioners. These are based on a combination of national assumptions, informed by IHAMs, and from local knowledge. The key assumptions for 2018/19 are summarised below in table 5.

Table 5: Demographic and non-demographic growth impacts

		2018/19	
		National	Local
Acute	OP attendances	4.1%	
	Elective admissions	2.4%	
	Non elective admissions	2.6%	
	A&E attendances	2.4%	
	RDAs and other	4.1%	
	Drugs		10.0%
	Mental health	1.9%	
	Community	3.4%	
	Ambulance	2.3%	
	Continuing healthcare		4.0%
	Prescribing		3.0%
	Primary care		1.5%

8 Recommendation

The principles contained within this paper have been discussed and supported by the Finance and Performance Committee. The Governing Body are asked to recommend the adoption of the 2018/19 budgets.

9 Appendices

Appendix 1: Summary I&E report 2018/19

Appendix 2: 2018/19 Resource limit assumptions

Appendix 1 – Summary I&E report 2018/19 (all values £'m)

Spend Area	17/18 Adjusted FOT	Net Inflation	Growth	Investments & CQUIN	QIPP	18/19 Envelope
Acute Care	319.0	0.3	10.8	1.6	(4.8)	326.8
Mental Health	48.5	0.1	1.2	0.8	0.0	50.6
Community Health	53.0	0.1	1.8	0.3	(0.2)	54.5
Continuoin Care	27.7	-	1.1	-	(0.4)	28.4
Primary Care	93.1	0.0	2.4	1.6	(3.3)	93.8
Primary Care Co-Commissioning	61.7	-	0.9	0.4	0.0	63.1
Other Programme Services	38.2	-	0.3	14.4	(6.7)	46.2
Running Costs	10.6	-	-	0.0	(0.4)	10.2
Contingency	-	-	-	3.1	0.0	3.1
TOTAL (excl Surplus & retained H/R)	651.77	0.52	18.48	21.54	(15.8)	676.510
Total 2018/19 Resource Limit Excl b/f Surplus & Headroom						(676.705)
In Year Surplus						(0.195)

Appendix 2: Resource Limit Assumptions

Description	2018/19 / £'000s		
	Rec	NR	Total
Baseline funding including growth	599,627	0	599,627
Primary Care Co-Commissioning	62,260	810	63,070
B/f 1718 surplus & returned headroom	0	11,652	11,652
Running costs	10,435	0	10,435
Additional allocation	4,980	0	4,980
Other Inter Org Non-Rec Transfers	848	328	1,176
Paramedic Re-banding	0	400	400
Primary Medical Services	218	0	218
Market Rent Adjustment	0	-109	-109
Identification Rules Changes	0	-126	-126
HRG4 changes	0	-246	-246
Community dental	-2,720	0	-2,720
TOTAL	675,648	12,709	688,357
<i>Total (Excl b/f surplus & returned headroom)</i>	<i>675,648</i>	<i>1,057</i>	<i>676,705</i>