

Paper Summary Sheet

Presented to:	Governing Body - Public
Date of Meeting:	26 March 2019
For:	Decision

Agenda Reference:	GOV/19/03/11
Title:	Financial Plan / Budget Setting 2019/20 - update
Executive summary:	
<p>To update the Governing Body on the draft programme area budgets for 2019/20, in line with the 14th February 2019 planning submission.</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 1.0% surplus of recurrent resources at the end of 2019/20</p>	
Recommendations:	The Governing Body is asked to adopt the assumptions behind the 2019/20 budgets following discussion at the Finance and Performance Committee.
Previously considered by:	Finance and Performance Committee
Author:	John Measham - Deputy Chief Finance Office
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

Governing Body 26 March 2019

Budget setting 2019/20 - update

1 Introduction

This paper provides an update of the programme level budgets as provided to NHS England as part of the CCG's initial financial planning submission, made on 14th February 2019. This reflects initial provider contract envelopes, and planning guidance issued by NHS England.

2 Summary

Following the publication of the NHS Long Term Plan late last year, NHS England have now issued CCG's with 5 Year Allocations.

For 2019/20 NHS England only require the submission of a one year plan, though it is expected that a five year plan will be required by NHS England later in the year.

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 2019/20. The key budget setting control total for 2019/20 is outlined below in table 1:

Table 1: 2019/20 budget setting control totals

Category	£m
Sources of Funding	-718.95
Applications	733.98
QIPP	-15.03
Net In -Year (Surplus)/ Deficit	-0.00

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 2019/20 the CCG has agreed a breakeven position with NHS England. The calculation and planned delivery of this target are illustrated in table 2 below:

Table 2: Calculation and delivery of surplus targets

Calculation of cumulative surplus target	£m
Sources of Funding	718.95
Less delegated primary care funding	-66.39
Less b/f surplus and NR allocations	-18.89
Total funding on cumulative surplus target is based	633.67
Net In -Year (Surplus)/ Deficit	6.34
Delivery of cumulative surplus target	£m
2017/18 b/f Surplus	5.88
2017/18 in year surplus	0.06
2018/19 Surplus target	0.20
2019/20 Planned surplus target	0.20
Net In -Year (Surplus)/ Deficit	6.34

Table 2a: Breakdown of cumulative surplus

Financial Year	£,000				Comments
	1% Surplus	Other	Risk Reserve	Total	
2016/17	5,878		5,717	11,595	Full headroom budget contributed to risk reserve
2017/18	57	621	2,913	3,591	50% headroom budget contributed to risk reserve and CAT M rebate
2018/19	198	1,500		1,698	Local increase to surplus
2019/20	207	-1,500	-500	-1,793	Drawdown of agreed increase in surplus from 2018/19 and prior year risk reserve contributions with £1m to follow in 2020/21
Total	6,340	621	8,130	15,091	

3 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 in-year breakeven position

The plans have been based on the month 8 forecast outturn position, as agreed with STP partners, with all non-recurrent 18/19 allocations and expenditure removed. It includes the impact of tariff uplifts 3.8% and efficiency savings 1.1%. The 19/20 core tariffs also include an element of the Provider Sustainability Fund (PSF), national pay award funding and 1.25% CQUIN. Marginal rate emergency threshold (MRET) and Re admissions adjustments have been discontinued, on an ongoing basis, with the historical element of these now part of the non elective block as detailed below.

In 2019/20 the CCG, and partner STP CCG's, are looking to implement the national guidance in relation to blended payments for non-elective/A&E activity. This will be subject to a block and any activity over/under the agreed contract value will be paid at a marginal rate. There is a break glass clause also built into the contract if activity goes higher/lower than the agreed contract value, however, this is still subject to further discussions with commissioners and providers

The CCG allocations have been increased to reflect these changes within PbR. Further changes have been made to allocations in respect to ambulance service funding streams which are ring fenced for South Western Ambulance Service.

The NHSE business rules requirements are outlined below in table 3:

Table 3: NHS England business rules requirement 2019/20

Category	£m
Cumulative surplus requirement 1% of recurrent budgets	6.34
In year surplus (within cumulative surplus)	0.21
Contingency 0.5%	3.20

The CCG is also holding a STP Transformation reserve of £2m created from drawdown in 19/20 of the CCG's cumulative surplus brought forward from 18/19. Bids for utilisation of this funding have been invited from STP partners.

Running costs budgets have been set based on the agreed organisational structure and historic information of non-pay expenditure and contractual commitments.

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

The national guidance requires CCGs to include investment in mental and community 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 and community health expenditure, equivalent to the % level of allocation growth received. For Wiltshire this represents a 6.15% 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 and community health and to support the co-creation of initiatives to reduce service pressures exhibited.

4 QIPP

In order for the CCG to achieve its required surplus target, in year cashable QIPP savings of £15.03m 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, however, there is currently £1.9m badged as unidentified. The CCG is working to identify additional opportunities to reduce the unidentified element. A summary of the current schemes is set out in table 4.

Table 4: Programme and scheme analysis of QIPP

	Total	Scheme Value	Unidentified
	£,000	£,000	£,000
CCG Total	15,033	13,048	1,985
Planned Care		3,020	
Out Patient Transformation		780	
Community Ophthalmology		240	
MSK		1,240	
Clinical Policies		150	
Blueteq		400	
Anticoagulation		150	
Bath Fertility		60	
Unplanned Care		3,568	
IUC ED & 999 Avoidance		205	
High Intensity Care		473	
Falls Management		947	
Homefirst		1,500	
Home from Hospital		93	
Improved Access		200	
Problems with Circulation		150	
Primary Care		3,526	
Prescribing		3,326	
Primary Care Networks		200	
Community		34	
Savernake Bed Capacity		34	
Continuing Care		500	
Market Management		500	
Other		2,400	1,985
Contract Efficiencies		2,400	
Unidentified			1,985

A recent review of schemes has been undertaken by the Chief Financial Officer and Chief Operating Officer with scheme leads to review scheme milestones and delivery opportunities. This has identified further work that needs to be completed with regards to scheme development, delivery and opportunities identified. It is estimated that there is some risk to delivery from some schemes, which will need to be offset by contingent reserves. In doing so this limits the CCG's flexibility to address in year emerging issues and/or provide pump priming support to transformation until either new schemes are developed or existing ones have reduced risk associated with them.

On-going monitoring of schemes will be undertaken by the Project Management Office and reviewed by the Finance and Performance Committee.

5 Investments

The CCG has identified a number of areas where investment is required in order to sustain and instigate transformation opportunities, to deliver its strategic aims, and to meet NHS England requirements. A number of these are funded through the CCG's main or specific allocations.

In 2019/20 the CCG has received growth of £42.4m which includes an allocation from Specialised Commissioning of 1.1m and has received drawdown of £2m from its cumulative surplus.

Table 5 below illustrates how this funding has been applied to the expenditure budgets in 2019/20.

Alongside these areas the CCG is also finalising proposals around the utilisation of resilience funding.

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Table 5: Application of Allocation Growth and Drawdown

	Core funding	Delegated funding	Total
	£m	£m	£m
Sources change			
Allocation growth	37.0	4.3	41.3
Drawdown	2.0		2.0
Spec comm movements	1.1		1.1
	40.1	4.3	44.4
Applications			
Net tariff impact	-16.4	-0.6	-17.0
Growth	-25.0	-0.2	-25.2
Drawdown transformation fund	-2.0		-2.0
Local pump priming fund	-2.0		-2.0
Contingency	-3.2		-3.2
Military repatriation	-2.0	-0.2	-2.2
SWAS pass through costs	-0.7		-0.7
Delegated Pay Award		-0.5	-0.5
Delegated Indemnity		-1.9	-1.9
Delegated Network Participation DES		-0.9	-0.9
Delegated Clinical Role Reimbursement		-0.9	-0.9
Assumed Delegated 5 Yr. Forward View Additional Funding		0.9	0.9
Other investments	-3.8		-3.8
QIPP	15.0		15.0
	-40.1	-4.3	-44.4
NET POSITION	0.0	0.0	0.0

6 Risks to the 2019/20 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.

The risks highlighted in the planning submission are set out below in table 6 below:

Table 6: Risks in planning submission

Risk	£,000		
	Contract	Performance	Total
Acute Services	1,500	500	2,000
Mental Health	400		400
Community Health Services	500		500
Continuing Care Services	400		400
Other Programme Services	100		100
Total	2,900	500	3,400
	Risks mitigated by 0.5% contingency and reserves		

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 CCG received in 2019/20 and increase in its demographic growth to take account of the military repatriation, the level of investment in provider contracts is still to be resolved.

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 2019/20 are summarised below in table 9.

Table 9: Demographic and non-demographic growth impacts

		National	Local
		%	%
ACUTE	Out Patients	4.1	
	Electives	2.3	
	Non Elective	2.6	
	A&E	2.3	
	Other	4.1	
	HCD		8.0
	Mental Health	2.6	
	Community	3.4	
	Ambulance	2.6	
	CHC		5.7
	Prescribing		4.4
	Primary Care		5.3

8 Recommendation

The Governing Body is asked to adopt the budget setting principles outlined above in the formulation of the 2019/20 budgets.

9 Appendices

Appendix 1: Summary I&E report 2019/20

Appendix 2: 2019/20 Resource limit assumptions

Appendix 1 – Summary I&E report 2019/20

	Fot 18/19	Non Recurrent	Opening 19/20	Net Inflation	Growth	Investments /Adjustment	QIPP	Plan 19/20	
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	
Acute Care	335.8	5.8	341.6	8.6	11.1	0.0	-9.2	352.1	
Mental Health	52.7	0.4	53.1	1.3	2.7	0.2		57.3	
Community Health	59.8	0.5	60.3	1.4	4.8	0.2		66.7	
Continuing Care	30.8	-0.4	30.4	0.3	1.6	0.0	-0.5	31.8	
Primary Care	90.2	-3.9	86.3	0.3	4.5	0.9	-3.3	88.7	
Delegated Commissioning	62.7	-0.1	62.6	0.0	0.0	3.7		66.3	
Other Programme	36.8	-9.5	27.3	0.1	0.3	8.2	-2.0	33.9	
Running Costs	10.3	-0.2	10.1	0.2	0.0	0.3		10.6	
STP Transformation Fund						2.0		2.0	
Local Pump Priming Fund						6.3		6.3	
Contingency			0.0			3.2		3.2	
Total	679.1	-7.4	671.7	12.2	25.0	25.0	-15.0	718.9	
			Total 2019/20 Resource Limit excl b/f Surplus						718.9
			In Year breakeven position						0.0

Appendix 2: Resource Limit Assumptions

Description	2019/20		
	Recurrent	Non Recurrent	Total
	£,000	£,000	£,000
Baseline Funding including growth	638,939		638,939
Allocation transfer after publication date	1,032		1,032
Primary Care Co- Commissioning	66,388		66,388
Brought Forward Surplus 18/19		16,884	16,884
In year drawdown		2,000	2,000
Running Costs	10,593		10,593
Total	716,952	18,884	735,836
Total (Excl brought forward surplus)	716,952	2,000	718,952