

Committee:	Governing Body Meeting
Venue:	Godalming Masonic Hall, Godalming
Date:	31 October 2017
Status:	FOR REVIEW AND NOTE

Title of Report	Financial Framework and budget 2017/18	
Presented by	Karen McDowell, Chief Finance Officer & Deputy Chief Executive	
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Finance Lead sign off	Vicki Taylor, Deputy Chief Finance Officer	
Conflict of Interest	N/A	
Governance and reporting- at which other meeting has this paper been discussed	N/A	
Freedom of Information	Author considers that no exemption applies:	<input checked="" type="checkbox"/>

Executive Summary:

The financial framework and budgets 2017/18 document sets out the allocations, expenditure plans, QIPP and financial risks for the CCG for 2017/18.

A high level budget summary was presented to the Finance Committee in June 2017 which was presented in the absence of an agreed financial plan with NHS E. This paper updates the position and describes the financial framework under which the CCG operates and the detail of the budgets for 2017/18.

The CCG has a planned deficit of £8.4m in 2017/18 which has now been agreed by NHS E against a notified control total deficit of £4m.

The paper describes the background to the financial planning process and confirms the CCG allocations, growth and expenditure assumptions and how the funds have been applied. Details of the QIPP programme, investments and CCG running costs are contained within the paper including a full assessment of the CCG risks for the year.

The Governing Body are asked to note the contents of the report and approve.

Implications:

Health/ CCG strategic objectives	We will achieve ways of delivering and prioritising healthcare, working within our allocated budget and delivering a single control total across the system and with our main, acute provider.
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Financial/Resource	None specific to this report
Legal/compliance	None specific to this report
Equality Analysis	None specific to this report
Patient and Public Engagement	Lay Member (PPE) is a member of the Committee
Risk (including reputational) and rating	Risks covering financial balance and service transformation/QIPP delivery are reflected in risk registers for Committee oversight.

Recommendation(s):

(1) **To approve** the contents of the paper

Next Steps:

Note the contents of the plan and budgets for 17/18 and receive regular updates through the monthly finance reports to Governing Body.



*Guildford and Waverley
Clinical Commissioning Group*

**NHS Guildford and Waverley
Clinical Commissioning Group**

**Financial Framework and CCG Budget
2017/18**

1.0 Introduction and Context

- 1.1 The Governing Body is asked to approve the financial framework and budgets for 2017/18 for NHS Guildford and Waverley Clinical Commissioning Group, as described in this report.
- 1.2 This report sets out the proposed financial framework and budget for 2017/18 including the:-
- Confirmed funding allocations
 - Expenditure growth and tariff assumptions
 - QIPP
 - Financial risks
 - Capital expenditure
- 1.3 The budget described in this paper is based on the plan that has been submitted to NHS E in accordance with the NHS planning process and the final submission which was made on 30th March 2017.
- 1.4 The CCG has set a budget for 2017/18 which delivers a deficit of £8.4m against the notified control total deficit £4m. This plan has been accepted by NHS E. The budget book is therefore presented for approval for 2017/18 and could be subject to potential changes during the year and the Governing Body will be advised and asked for approval as required. All changes to the opening budgets will follow the CCGs budget virement policy.

2.0 Background

- 2.1 The budget and financial plan have been developed alongside the CCG Operational plan and are based on the following principles:
- Key financial planning assumptions are in line with the national guidance as set out in the *NHS Operating and Planning Guidance 2017-19* and supporting guidance issued by NHS England
 - Funding allocations covering 3 years to 2018/19 and indicative allocations for the following 2 years were notified in January 2016.
 - Funding has been set aside from the allocation received for non-recurrent expenditure as specified in the guidance. This includes a 1% non-recurrent systems risk reserve (circa £2.4m)
 - 50% of this reserve is required to be held nationally to contribute to the national risk reserve held by NHS England and is held by the CCG uncommitted
 - 50% of this reserve is local. The CCG have allocated this in order to repay systems risk support received in 2016/17 and to fund STP revenue costs planned for in 17/18.

- Funding has been set aside for the national requirement to fund a 0.5% Contingency budget (£1.2m).
- £3 per head funding into Primary Care as per the GP forward view guidance has been provided in the plan - split over the next two financial years (£0.3m) in 2017/18.
- Running costs have been funded as per the notified allocation of £4.9m.

2.1 The current plan and budget for 2017/18 delivers a deficit of £8.4m and has been based on the latest information available at the time of planning including current status of acute contract negotiation. At this stage the majority of all acute contracts have been agreed and signed with the exception of 2. For those contracts, indicative budgets have been set based on a combination of factors including 16/17 outturn, growth and the impact of HRG 4 / IR and QIPP.

3.0 Allocations

3.1 Allocations for all CCG's were published in January 2016. These allocations were for 3 years from 2016/17 to 2018/19 and indicative allocations for a further 2 years, 2019/20 to 2020/21. This paper confirms the funding that Guildford & Waverley CCG has received for its programme and running costs in 2017/18 is as follows:

- Programme costs allocation of £250.6m, including growth of 2.0%
- Running costs of £4.9m

3.2 The CCG's overall allocation for 2017/18 will therefore be £255.5m. Based on this allocation, the CCG is planning to deliver a deficit of £8.4m and requires QIPP delivery of £8.6m.

4.0 Expenditure Growth and Tariff assumptions

4.1 The CCG has developed the 2017/18 financial plan in line with the guidance received from NHS England. The increase for inflation has been provided by NHS Improvement and NHS England through the mechanism they use to increase the Payments by Results tariff. This provides for a net tariff increase of 0.1% which has been calculated based on a 2.1% increase in prices offset by a 2% efficiency saving. All acute contracts have been subject to this net tariff uplift. The tariff assumes that all providers will achieve internal efficiencies through changing the way services are delivered, reducing variations in activity and improving procurement practices.

4.2 The CCG has developed the financial plan using the percentage growth and tariff assumptions shown in the table 1 below:

Table 1 – Growth assumptions

	Inflation	Efficiency	Net	Demographic Growth	Non Demographic Growth
	%	%	%	%	%
Acute	2.1	-2.0	0.1	1.5	1.0
CHC	0.0	0.0	0.0	4.3	1.5
Community	0.0	0.0	0.0	2.5	1.0
Mental Health	2.1	-2.0	0.1	1.5	0.5
Primary Care / Prescribing	0.0	0.0	0.0	1.4	2.3
Other	0.9	0.0	0.9	1.0	0.4

5.0 Application of funds

5.1 The CCG has derived its expenditure budgets as follows:

- The start point for the planning is based on the financial outturn from 2016/17 which was a net deficit of £5.0m
- Adjustments have been made for any non-recurrent allocations and expenditure, full year effects of 2016/17 items and cost pressures arising in the year in order to establish an opening baseline for 2017/18
- The operating framework has required the CCG to plan for a number of mandated items as discussed in section 2 and listed below.
 - Contingency budget as per the business rules of 0.5% (circa £1.2m).
 - 1% Non-Recurrent reserve – 0.5% Local and 0.5% National to be uncommitted in CCG plans (£2.4m)
 - Maintain investment in Better Care Fund (£11.7m)
 - £3 per head funding set aside for Primary Care (50% in 2017/18 - £0.3m)
- There is a significant Service Transformation programme target of £8.6m to deliver a deficit of £8.4m.
- Running cost budgets have been set in line with the allocation of £4.9m. Running costs include any costs incurred that are not a direct payment for the provision of healthcare or healthcare related services, including all costs associated with the corporate and operational management of the CCG. The table below summarises the planned running costs for the CCG for 2017/18.

Table 2 – CCG Running costs 2017/18

CCG Running costs	2017/18
CCG Pay costs	2,573
Non Pay running costs	1,711
CSU costs	628
Total Running costs	4,911

- Better Care Fund budgets (circa £11m) have rolled forward into 2017/18 and match the required CCG investment as part of the pooled budget arrangement with Surrey County Council.
- GP IT revenue costs have been included at the rolled forward 16/17 levels (circa £0.5m)
- CAMHS transformation funding as per the new national investment requirements have been carried forward in baseline budgets as required by the national planning guidance.
- Mental Health budgets have been set to demonstrate achievement of the Parity of Esteem.
- The impact of HRG 4 tariff changes and Identification Rules (IR) has been included within the financial plan and the impact has been allocated to individual providers as agreed through the contract negotiations.

A high level summary of the financial plan is shown in Table 2 below.

The budgets are guided by the CCG's Prime Financial Policies.

Table 2 Summary Financial plan for 2017/18

<i>Description</i>	2017/18
	£000
Commissioning Services	
<i>Acute services</i>	140,270
<i>Mental Health Services</i>	23,820
<i>Community Services</i>	17,583
<i>Continuing Care Services</i>	20,040
<i>Primary Care Services</i>	32,606
<i>Better Care Fund</i>	11,525
<i>Other Programme Services</i>	9,325
Sub total - Commissioning Services	255,170
Running Costs	4,911
Sub total - Other Corporate costs	4,911
Planning requirements & reserves	
<i>0.5% Contingency</i>	1,257
<i>1% Non Recurrent Reserve</i>	2,514
Sub-total - Reserves	3,771
Total Application of Funds	263,853
Resource	255,488
In Year Surplus / Deficit	-8,365

6.0 Investments

In 2017/18 the CCG budget includes investments as set out below:

Investments	2017/18
National initiative - GP Practice Transformation Support	336
Service Transformation delivery support	860
Total Running costs	1,196

- 6.1 Investment in GP Practice Transformation is based on national planning guidance and the requirement for expenditure of £3 per head of population over 2 financial years to 2018/19. In 2017/18, the CCG has proposed an investment of £1.50 per head of population to support development of Local schemes in primary care.
- 6.2 The plan includes investment identified against specific schemes in order to support the delivery of a challenging Service Transformation Target. This investment will cover specific posts required to support the delivery of key work streams and projects as well as covering the cost of service re-provision against some schemes.

7.0 Service Transformation Programme

- 7.1 In setting the financial plan, the CCG position results in a planning gap between the level of resource allocated and the level of expenditure planned. This gap is currently £8.6m in order to deliver the planned deficit of £8.4m or 3% of the resource allocation.
- 7.2 In submission of the financial plan to NHS England in December 2016, the CCG has identified a gap on the main acute provider contract with the Royal Surrey County Hospital. The contract was agreed and signed in order to meet the national planning timetable, excluding QIPP with clear agreement this would be jointly worked on following contract signature in advance of the new financial year. The CCG is working on the basis of a QIPP requirement of £5m - £7.8m on the RSCH contract. Work is progressing jointly with the Trust on developing a programme of work and identifying all opportunities. A number of schemes are now fully mobilised and others are underway.

A summary of the QIPP schemes are shown in the table (table 3) below.

Table 3 – Summary of CCG Service Transformation Programme for 2017/18

Scheme	2017/18 Plan
Advice & Guidance	526,329
New models of follow up	909,973
Integrated Specialty Services	527,649
Integrated 'out of hospital' services	1,138,486
Inflammatory Bowel Disease (IBD) Nurse	239,484
Very High intensity Users	771,063
Integrated respiratory nursing service	285,171
Critical Care activity coordinator	135,523
RSCH - GP frailty	300,000
Acute Medicines Management	250,000
Sub Total Acute	5,083,678
Medicines Management	2,500,000
Acute contracts	176,322
Continuing Healthcare placements	275,000
Better Care Fund	200,000
Primary Care	200,000
Corporate Services	200,000
Sub Total Other	3,551,322
Total All schemes	8,635,000

The CCG is currently working across the STP to look at combining and pursuing joint opportunities to reduce costs. This approach is on-going and once further discussions are concluded there will be the requirement to work collaboratively with providers to implement the changes agreed.

8.0 Running costs

- 8.1 The corporate budgets have been set within the running costs allowance for the CCG of £4.9m. The allowance has increased by £4k in year, however there are additional cost pressures including increased staff costs to cover incremental drift and pay awards that will have to be met from within this envelope.
- 8.2 The running cost budget for 2017/18 includes a cost efficiency of £200k contributing towards the CCG Service Transformation Programme in 2017/18. The CCG will be required to underspend by this value against the target of £4.9m.
- 8.3 The CCG has a commitment to contribute to programme and project costs for the development of the Surrey Heartlands STP in 2017/18. The estimated contribution for Guildford & Waverley CCG is circa £400k and it is funded from the 0.5% local non-recurrent reserve that the CCG is required to fund in the plan.

9.0 Financial Risks

- 9.1 There are a number of risks which may impact on the delivery of the CCG's 2017/18 financial position with the CCG having very limited reserves to manage these risks.

A summary of the key financial risks the CCG is exposed to in 2017/18 are:

- **Achieving Financial balance – HIGH RISK**
 - Delivery of the financial plan deficit presents a financial risk to the CCG.
- **QIPP savings – Delivery of the Service Transformation Programme – HIGH RISK**
 - The financial plan incorporates a QIPP saving of £8.6m. This is within what NHS E benchmark as challenging but achievable. The CCG delivered 69% of the QIPP target in 2016/17 however this was predominantly through non recurrent and transactional methods. Delivery of the programme requires significant positive clinical engagement across the CCG and with the acute provider to support the service changes required as well as significant management resource. The CCG continues to review on an on-going basis, the capacity and capability to deliver this scale of change.
- **Acute contracts – Agreement of the 2017/18 contracts – HIGH RISK**

- NHS England set a deadline of 23rd December 2016 for agreeing contracts for 2017/18. The CCG achieved this deadline for the main acute provider contract at a high level which excluded agreement on the level of service transformation changes and with a number of actions required prior to the start of the new financial year. At the time of writing this paper, the contract variation to agree the level of QIPP has not been completed.
- **Acute contracts – Activity in Year performance – HIGH RISK**
 - Risk of over performance on acute contracts in year. This will be mitigated by assurance and proactive monitoring and delivery of performance management of contracts through the CCG contracting function.
- **Continuing Healthcare – Activity in Year – MEDIUM RISK**
 - Continuing Healthcare costs and the pressure of Funded Nursing care costs created a significant pressure for the CCG in 2016/17. Although budgets have been set to include growth, there is still a risk of rising costs and activity in this area which the CCG is not able to mitigate.
- **Prescribing costs and activity and delivery of QIPP – MEDIUM RISK**
 - Growth in costs and activity above funded levels within Medicines management poses a financial risk to the CCG. In addition, the CCG have received notification that savings associated with Category M drugs will be retained centrally to contribute towards the national risk pool and not transferred to CCGs. This poses a risk if the team are unable to mitigate as savings have been assumed as part of the Medicines Management QIPP programme.
- **Other unknown cost pressures – MEDIUM RISK**
 - Other unknown cost pressures not included above may arise during the year which the CCG is unable to mitigate.

10.0 CAPITAL

- 10.1 The CCG has a nominal capital budget for 2017/18 of £75k. This funding is for CCG IT spend and minor capital costs for Corporate HQ. This does not include GPIT funding held separately.

11.0 BUDGET HOLDER RESPONSIBILITIES

11.1 In order to ensure on-going financial control within the CCG and to deliver the requirements of the financial plan, budget holders will be requested to sign acceptance of the budgets within their sphere of responsibility confirming that they:

- ❑ Clearly understand their financial accountability
- ❑ Have identified and managed the key business risks in relation to delivering their service and financial balance
- ❑ Agree that their budgets are soundly based and sign off acceptance of their delegated budget
- ❑ Operate their budget within the parameters and in adherence to the CCG's Standing Orders, Prime Financial Policies and Delegated Powers.
- ❑ Will not use these funds other than for their intended purpose unless expressly authorised to do so through the virement process. The under spent funds will be left in individual budgets but will be utilised to support the overall position of the CCG.
- ❑ In accordance with the CCG's Prime Financial Policies – Budgetary Delegation 'Any budgeted funds not required for their designated purpose (at account code level) revert to the immediate control of the Accountable officer, subject to any authorised use of virement.

12.0 OTHER

12.1 The CCG will promote a rolling programme of "deep dive" budget reviews to be undertaken throughout the year to support the Service Transformation programme to identify and enable resources not currently delivering value for money to be redirected.

12.2 To ensure close monitoring and reporting of the CCG's recurrent and non-recurrent position is undertaken, with a view to tightly managing performance to budget and potentially releasing recurrent funds for future investment.

12.3 To acknowledge the risks identified in the budget, in particular the reliance on cash releasing Service Transformation savings, and lack of reserves and mitigations.

12.4 To ensure that all Directors and senior managers within the CCG take significant and robust action to ensure the delivery of their savings plans.

13.0 RECOMMENDATIONS

The Committee is asked to recommend the approval of the contents of the paper and to recommend **approval** of the budgets for 2017/18 as described within this paper for both capital and revenue.

Vicki Taylor

Deputy Chief Finance Officer

August 2017