

**NHS DORSET CLINICAL COMMISSIONING GROUP  
GOVERNING BODY MEETING  
OPENING BUDGET 2018/19**

<b>Date of the meeting</b>	16/05/2018
<b>Author</b>	N Rowland, Deputy Chief Finance Officer
<b>Sponsoring Board member</b>	S Hunter, Chief Finance Officer
<b>Purpose of Report</b>	To provide an overview of the 2018/19 refreshed annual plan and corresponding opening budgets.
<b>Recommendation</b>	The Governing Body is asked to <b>note</b> the annual budget for 2018/19.
<b>Stakeholder Engagement</b>	<p>Active engagement with Dorset providers has resulted in maintenance of the 2<sup>nd</sup> year of the collaborative agreement, which underpins and supports the budget setting process including agreement of a 1% uplift for 2018/19.</p> <p>The financial challenges outlined in 2017/18 still remain challenging across the system and therefore a 1% uplift will be in place for other budget areas leading to Quality, Innovation, Prevention and Productivity (QIPP) requirement and conversations have happened internally around particular challenge for continuing care and prescribing.</p> <p>More work will also be required around further QIPP areas in particular for other non-Dorset contracts.</p>
<b>Previous GB / Committee/s, Dates</b>	<p>The 2 year operational plan paper was shared with the Governing Body 15/03/17 and this paper is a refresh of the 2<sup>nd</sup> year, namely 2018/19.</p> <p>Governing Body meeting 21/03/18 Part 2.</p>

**Monitoring and Assurance Summary**

<b>This report links to the following Strategic Principles</b>	<ul style="list-style-type: none"> <li>• Prevention at Scale</li> <li>• Integrated Community and Primary Care Services</li> <li>• One Acute Network</li> <li>• Digitally Enabled Dorset</li> <li>• Leading and Working Differently</li> </ul>		
	<b>Yes</b> [e.g. ✓]	<b>Any action required?</b>	
		<b>Yes</b> Detail in report	<b>No</b>
All three Domains of Quality (Safety, Quality, Patient Experience)	✓		✓
Board Assurance Framework Risk Register	✓	✓	
Budgetary Impact	✓	✓	

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Legal/Regulatory	✓	✓	
People/Staff	✓		✓
Financial/Value for Money/Sustainability	✓	✓	
Information Management & Technology	✓		✓
Equality Impact Assessment	✓		✓
Freedom of Information	✓		✓
<b>I confirm that I have considered the implications of this report on each of the matters above, as indicated</b>	✓		

Initials : NR

## 1. Introduction

- 1.1 This report aims to set out the financial aspects of the annual operating plan opening budgets for the 2018/19 financial year.
- 1.2 The CCG is formally required to set a balanced budget for the forthcoming year, approved by the members of the Governing Body for delegation to Officers in recognition of the funds delegated by NHS England for the commissioning of a portfolio of services for the population. The Governing Body formally approved the opening budgets at the March 2018 meeting.
- 1.3 The opening budget referred to in Appendix 1 shows the financial framework within which NHS Dorset Clinical Commissioning Group (CCG) and its Officers will be required to operate within. The numbers in this opening budget will change throughout the year dependent on new allocations, agreeing contracts and other virements between expenditure areas. The most up to date allocation and planned expenditure numbers will be reported to the Governing Body through the finance report.
- 1.4 As part of the government announcements on additional funding Dorset has been awarded £8.6m additional funding above that previously planned, as well as having the requirement to deliver a mandated 0.5% risk reserve removed, leading to £13.8m additional funding being made available.
- 1.5 The CCG had a pre-agreement to set a break-even budget, utilising £1.594m draw-down against historic surpluses, however it is not proposing to utilise this in 2018/19, as part of discussions around system control totals, which is explained in more detail further in the report. Delivery of a surplus of £1.234m will be required.
- 1.6 The opening budget presented here is not without its risks and these are discussed in more detail later and it should be noted that the opening budget no longer has any unallocated QIPP at the start of the year, which is a significant change from 2017/18.
- 1.7 The level of QIPP set in 2017/18, was significantly higher than the expectations for 2018/19 namely as a result of the impact of HRG4+ £8.5m cost pressure is now fully mitigated partly through additional funding and partly through the performance delivered in 2017/18.
- 1.8 The framework proposed for 2018/19 is to maintain an equitable basis of investment and thus budgets will be set at 1% above 2017/18 budget levels, although this does create more risk for some budget areas than others, which will be discussed further in the report.

## 2. Financial Plan

- 2.1 The NHS was required to develop 2 year operational plans for 2017/18 and 2018/19, including setting out the 2 year financial plans that support this. This is the 2<sup>nd</sup> year of this, with a refreshed set of planning guidance and plans required with the following expectations:

Description	2018/19 £m	Notes
<b>Business Rules</b>		
Delivery against organisational (CCG) in-year control total set centrally by NHS England	(1.594) Deficit	Not planned to draw-down
System control total adjustment planned	2.828	In-year surplus of £1.234m
1% non-recurrent expenditure		
<i>0.5% uncommitted and held as a national risk reserve, until release is authorised (previously referred to as Headroom)</i>		No longer required
<i>0.5% available to CCGs to spend non-recurrently, to support transformation and change implied by STPs</i>		No longer required
Running costs expenditure must be a maximum of the allocation set centrally	16.772	
0.5% Mandated CCG local contingency	5.381	
0.5% Mandated Primary Care Delegated local contingency	0.522	

- 2.2 The plans were developed in conjunction with Dorset providers through the contract setting process and the development of the local collaborative agreement which provides the financial framework until the end of 2018/19.
- 2.3 The resulting implication of both the funding settlement for Dorset, shown in section 3, delivery of the planning requirements around business rules, agreed contracts and proposed opening budgets has driven a £29.1m QIPP challenge, which is further noted in sections 5.20 to 5.23 below.

## 3. Revenue Resource Limit

- 3.1 Allocations were originally provided in December 2015 by NHS England, which provided 3 years of firm allocations, and 2 years of indicative for the period 2016/17 to 2020/21, some transfers have been transacted throughout 2017/18 to reflect movements in portfolio areas for NHS England, the table below identifies the expectations for 2018/19.
- 3.2 In addition, as previously noted in the introduction additional resources of £8.6m have been made available to Dorset recurrently and are also shown in CCG Programme Recurrent Baseline Allocations below.

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Description	2017/18 £'000	2018/19 £'000	Movement £'000
<b>CCG Programme Recurrent Baseline Allocations</b>	<b>1,027,407</b>	<b>1,053,422</b>	<b>26,015</b>
<b>Primary Care Delegated Recurrent Baseline Allocations</b>	<b>103,327</b>	<b>105,357</b>	<b>2,030</b>
<b>TOTAL PROGRAMME RECURRENT BASELINE</b>	<b>1,130,734</b>	<b>1,158,779</b>	<b>28,045</b>
<b>Other Non-Recurrent Allocations</b>			
CCG Allocations – Confirmed non-recurrent allocations	10,519	910	
Primary Care Delegated Confirmed non-recurrent allocations	1,581		
Other Primary Care non-Delegated anticipated allocations		3,108	
Other anticipated allocations		2,673	
<b>TOTAL PROGRAMME OTHER ALLOCATIONS</b>	<b>12,100</b>	<b>6,691</b>	<b>(5,409)</b>
<b>TOTAL PROGRAMME BASELINE</b>	<b>1,142,834</b>	<b>1,165,470</b>	<b>22,636</b>
Running Cost Allowance	16,838	16,772	(66)
<b>RESOURCE ALLOCATIONS (EXCLUDING DRAW-DOWN)</b>	<b>1,159,672</b>	<b>1,182,242</b>	<b>22,570</b>
Agreed draw-down of surplus	1,594	*	(1,594)
<b>TOTAL ALLOCATIONS</b>	<b>1,161,266</b>	<b>1,182,242</b>	<b>20,976</b>

\* Planned draw-down of £1,594k was pre-agreed for 2018/19, however this will not be drawn-down due to system agreement on planned control total movements

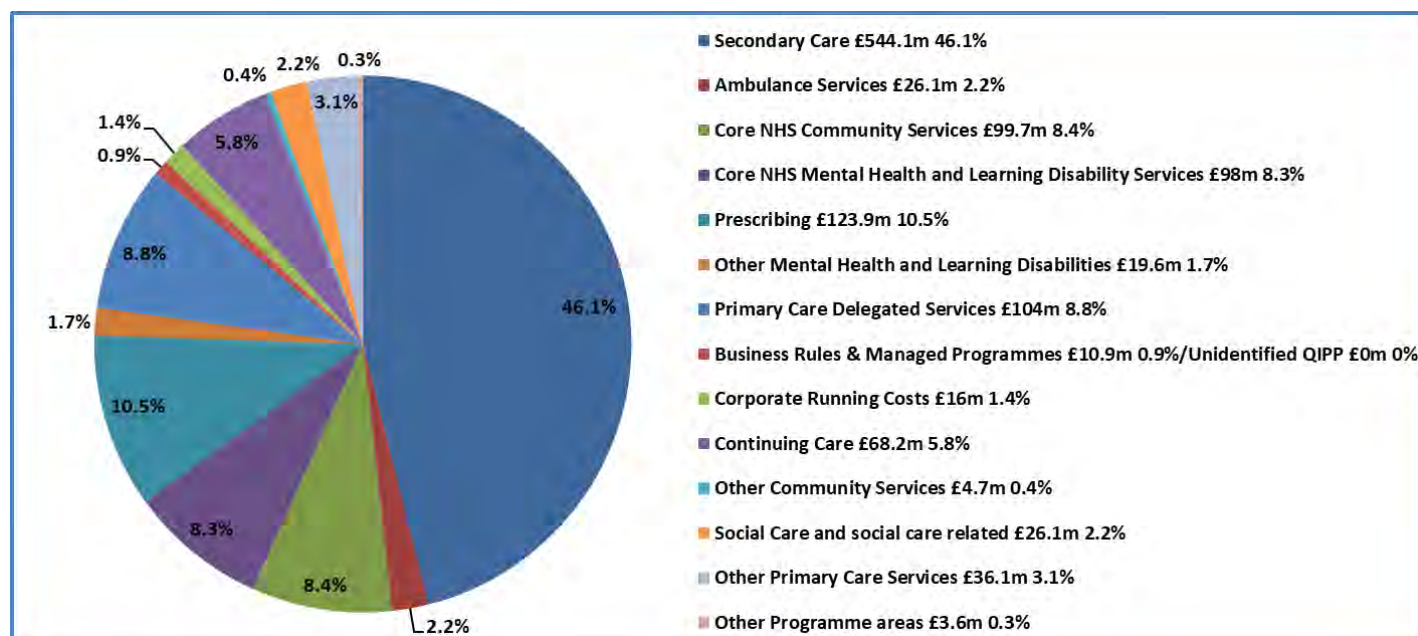
<b>Cumulative Surplus and Headroom (No draw-down agreed)</b>		
Return of 2017/18 cumulative Surplus		16,104
2016/17 1% Headroom delivered		11,107
2017/18 0.5% Headroom delivered		5,138
2017/18 Cat 'M' (amount not yet known, so estimated)		1,000
<b>TOTAL funding held and use to be agreed with NHS England (B/Fwd)</b>		<b>33,349</b>
<b>Control Total adjustment – 2018/19 surplus required</b>		<b>1,234</b>
<b>Total lodged funding anticipated for 2018/19 (unless draw-down agreed)</b>		<b>34,583</b>

## 4. Opening Budgets

- 4.1 Opening Budgets have been developed on the basis of the 2017/18 month 9 budgets, after removal of all non-recurrent allocations received of £12,100k and £1,594k (as per table in section 3), before allowing for national expectations on business rules (as per section 2).
- 4.2 A 1% uplift on the majority of budget lines has been assumed.
- 4.3 It should be noted therefore that those areas in 2017/18 that had over-spends, will need to manage those over-spends within the allotted funding envelope, so QIPP plans will need to be developed.
- 4.4 Budgets have also been set to take into account the agreed collaborative Dorset provider budgets, including additional funding in support of revised regulatory control totals, with particular inclusion of adjustment for CNST.
- 4.5 Appendix 1 identifies in more detail the proposed opening budgets.

## 5. Financial Overview

- 5.1 The chart contained below shows how Dorset CCG plans to deploy its 2018/19 funds of £1.181bn for 2018/19 for both percentage and monetary values.



- 5.2 Some key aspects that have derived the opening budgets are identified below:
- 5.3 **Dorset Collaborative agreement:** For 2018/19 the health system providers in Dorset had previously agreed to a 1% uplift for their contracts £6.5m. Following the recent refresh planning guidance and notification of control totals, providers experienced additional cost pressures for CNST and therefore it is agreed that this additional CNST of £3.6m will be funded by the CCG.
- 5.4 **NHS National Tariff:** For all other NHS providers outside the collaborative agreement rules around tariff apply, which assume a 2.1% inflationary factor with a -2% efficiency factor, making the net uplift 0.1%.
- 5.5 **Acute Care:** Particular challenges have been experienced for Salisbury and Yeovil in 2017/18 and therefore whilst the budget is set at 1% above last year, this presents significant risk due to levels of un-budgeted for over-performance.
- 5.6 Dorset is also still subject to significant increasing demand for elective care, especially in the Independent Sector and University Hospitals Southampton, however this has shown reducing levels in 2017/18 due to collaborative actions, with particular reference to MSK following implementation the Triage service. This still presents a risk if this activity returns to previous levels.

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- 5.7 Further lower level risk exists for non-contract activity and small providers.
- 5.8 **Ambulance:** As the lead commissioner for South West Ambulance across the South West and following implementation of the new ARP from the previous operating model, significant challenges on performance have been experienced. It is currently planned therefore that the planning guidance expectation of 2.3% investment will be met.
- 5.9 **Mental Health:** The planning requirements set out that the Mental Health Investment Standard (MHIS) must be achieved which is to invest the same level of growth as we receive in allocations of 2.83% in 2018/19, equal to £2.879m. This will also now form part of external auditor's requirements set nationally.
- 5.10 £0.9m is incorporated within the Dorset Healthcare 1% uplift.
- 5.11 It has been agreed to fund the continuation of the IAPT rollout programme to enable a further year to evaluate the benefits +£0.9m.
- 5.12 A further £0.82m investment will be released to support the IAPT rollout programme and CAMHs.
- 5.13 The balance of £0.3m is recognised as uplifts on other mental health budget areas.
- 5.14 **Primary Care:** From 1<sup>st</sup> April 2016 the CCG took on responsibility for primary care services, a separate additional allocation has been given to support changes in primary care of £2.03m with a further expectation to develop a practice transformation fund. In addition, £3.1m of GP Forward View Transformation Funding has been provided to Dorset, giving an uplift on delegated and core primary care of 3.22%.
- 5.15 In addition, as with the CCG core programme, a 0.5% contingency is required of £0.522m, all other business rules assumptions have been removed and funding released for primary care purposes.
- 5.16 **GP Prescribing:** The proposed budget for prescribing is to maintain at 2017/18 budget +1%, which will require a challenging QIPP plan to be developed and implemented across all practices. It is anticipated that benefits for Cat 'M' held centrally last year will be benefits that the CCG can receive and it is also expected that the problems with NCSO experienced in 2017/18 are being tackled nationally and will not be an issue for the CCG in 2018/19, however remains a risk.
- 5.17 **Continuing healthcare:** Similarly, to prescribing the budget is set at budget +1% with an additional uplift of £0.4m for sleep in rates, so will necessitate continual focus on criteria and costs of care packages. This does mean however that the pressure of £0.8m on children's felt in 2017/18 will need to be managed through strong QIPP plans. It should be noted that there is now a national focus on the efficiency of Continuing Care and QIPP plans will need to be well developed as a result.

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- 5.18 **Running Costs:** The CCG is required to operate within its allocation of £16.772m, this was under-spent in 2017/18 and the budget will be maintained at 2017/18 levels with no uplift applied. The budget therefore remains at £15.985m. A number of opportunities are being explored to reduce pay costs such as voluntary leave buy-back to offset increases in costs.
- 5.19 **HRG 4+ allocation removal:** Dorset as a system lost £8.546m in 2017/18, however this is now fully embedded within the quantum of funding available and budgets set, in part due to the additional funding received as a residual unidentified QIPP of £4.2m had previously existed, which has now been removed.
- 5.20 **QIPP:** For 2017/18 the QIPP challenge for Dorset CCG is £29.1m, this has all been set on contract and budget setting, with £10.3m linking to holding demand flat across Dorset.
- 5.21 Dorset CCG QIPP is significantly less than 2017/18 when it was £44.4m as a result of the one-off 2017/18 adjustments being managed, namely £8.8 non-recurrent funding used to fund recurrent winter pressures and £8.5m impact of HRG4+, leading to a £14.8m level of unidentified QIPP last year.
- 5.22 It should also be recognised that the level of QIPP currently planned for 2018/19 is low at only 2.8% of CCG programme resources and therefore in order to create recurrent investment for delivery of the transformation work, including ICPS additional QIPP will need to be delivered above that currently set.
- 5.23 Unlike 2017/18 there is no unidentified QIPP, however it should be recognised that some budgets set will be challenging to deliver the level of QIPP planned and therefore other opportunities should continue to be explored. This action will need to be supported through the Finance Sustainability Taskforce group chaired by the Chief Financial Officer.
- 5.24 **Capital budget:** The CCG is assuming same levels as 2017/18 and awaiting confirmation from NHS England that the core GP IM&T to the sum of £560k will be agreed. Other funding will need to be supported through the national funding pipelines, which are now being managed through STP plans, with the exception of Estates and Technology Transformation Funding (ETTF) programmes already planned.

## 6. Risks

- 6.1 A number of risks to the proposed opening budgets have been identified above in particular relating to the non-Dorset providers, CHC and QIPP.
- 6.2 In addition to the risks identified is the expectation that Dorset CCG will work as an active partner in the delivery of the actions identified in the Collaborative agreement, including in developing schemes to avoid growth in demand at the acute providers, which has been estimated at £10.3m for 2.3% activity growth.



## 7. System Outlook – 2018/19

Annual Reported	2018/19 Opening Control Total (CT) £m	2018/19 Control Total (CT) Adjustment £m	2018/19 Provider Sustain- ability Fund £m	2018/19 CT including PSF £m	2018/19 CIP £m	2018/19 CIP %
<b>Dorset County Hospital</b>	(6.1)	(1.1)	5.9	(1.3)	7.6	4.1%
<b>Dorset Healthcare University</b>	(0.2)	0.0	2.5	2.3	8.4	3.3%
<b>Poole Hospital</b>	(10.3)	(2.5)	9.1	(3.7)	10.8	4.1%
<b>Royal Bournemouth &amp; Christchurch Hospitals</b>	(12.2)	0.8	9.0	(2.4)	12.7	4.1%
<b>Total Provider</b>	<b>(28.9)</b>	<b>(2.8)</b>	<b>26.5</b>	<b>(5.1)</b>	<b>39.5</b>	
<b>Dorset CCG</b>	(1.6)	2.8	0.0	1.2	29.1	2.8%
<b>Total Dorset ICS</b>	<b>(30.5)</b>	<b>0.0</b>	<b>26.5</b>	<b>(3.9)</b>	<b>68.6</b>	

- 7.1 Opening Control Total (CT) – this is the control totals (deficit) set for 2018/19 by NHS Improvement.
- 7.2 Control Total (CT) Adjustment – this is the agreed planned control total movements for the system with the balancing system adjustment being made by the CCG as previously noted in this report.
- 7.3 Provider Sustainability Fund (PSF) – Original planning allocations allowed for £18.9m STF, this has been increased to £26.5m PSF, it has also now been renamed to remove the transformation element. It should be noted that whilst this provides additional cash to the providers, this has all been set to improve control totals, so does not help to close the efficiency target requirements for CIP.
- 7.4 Trusts are forecasting to achieve the revised system control targets set for 2018/19 subject to full PSF income being received;
- 7.5 There is significant risk around the providers achieving their respective control targets, with CIP % being over 4%.
- 7.6 Dorset CCG QIPP levels have reduced from the high levels of 2017/18 as noted in section 5.22 above.

## 8. Conclusion

- 8.1 The funding growth of 2.83%, worth £29.035m, allocated to Dorset in 2018/19 is pretty much all committed, with the exception of a small investment fund, which it is proposed should be used to target delivery of CSR ambitions in respect of ICPS.

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- 8.2 Whilst this is still a challenging year for 2018/19, most of the challenge will be supporting the system sustainability and managing the risks identified in section 6 above, part of which will be supported through the use of the nationally mandated 0.5% local mandated contingency fund.
- 8.3 This paper therefore includes a sizeable QIPP expectation with particular challenges for non-Dorset Acute providers, Continuing Care and Prescribing.
- 8.4 For the CCG to be recurrently financially sustainable additional QIPP to offset potential risks need to be developed, further considerations will continue to be worked up, which will need support of the Finance Sustainability Taskforce group.
- 8.5 It should be noted that Primary Care Delegated growth has been received to the value of £2.03m and this will be used to target national expectations around primary care contracts set nationally with any residual element being targeted towards delivery of the GP five year forward view, in addition to the £3.1m GP forward view funding received providing an uplift of 3.22%.

## 9. Recommendation

- 9.1 The Governing Body is asked to **note** the annual operating plan budget for 2018/19.

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**Date: 12<sup>th</sup> April 2018**

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<b>APPENDICES</b>	
<b>Appendix 1</b>	<b>CCG Board Summary Opening Budget 2018/19</b>