

**NHS DORSET CLINICAL COMMISSIONING GROUP
GOVERNING BODY MEETING
ANNUAL BUDGET 2017/18**

Date of the meeting	17/05/2017
Author	N Rowland – Deputy Chief Finance Officer
Sponsoring Board member	P Vater – Chief Finance Officer
Purpose of Report	Provide an overview of the 2017/18 & 2018/19 financial plans and resulting budgets for 2017/18.
Recommendation	The Governing Body is asked to formally approve the annual budget for 2017/18 under Part 1 - Public.
Stakeholder Engagement	<p>Active engagement with Dorset providers has resulted in the development of the local collaborative agreement, which underpins and supports the budget setting process including agreement of a 0% uplift in 2017/18 and 1% in 2018/19 to these contracts.</p> <p>Due to the significant financial challenge in 2017/18, there is a high-level of 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 as we still have a high level of unidentified savings.</p>
Previous GB / Committee/s, Dates	The annual budget paper was discussed and agreed for recommendation to the Governing Body at the Directors' meeting on 06/03/17. It was subsequently approved in the part 2 session of the Governing Body on the 15 th March 2017.

Monitoring and Assurance Summary

This report links to the following Strategic Principles	<ul style="list-style-type: none"> • Services designed around people • Preventing ill health and reducing inequalities • Sustainable healthcare services • Care closer to home 		
	Yes [e.g. ✓]	Any action required?	
		Yes Detail in report	No
All three Domains of Quality (Safety, Quality, Patient Experience)	✓		✓
Board Assurance Framework Risk Register	✓	✓	
Budgetary Impact	✓	✓	
Legal/Regulatory	✓	✓	

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

Initials : NR

1. Introduction

- 1.1 The opening budget paper was approved by the Governing in March 2017 in the confidential section of the meeting and this paper re-introduces report for all users.
- 1.2 This document aims to set out the financial aspects of the annual operating plan opening budgets for the 2017/18 financial year.
- 1.3 The CCG are 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.
- 1.4 The opening budget referred to in Appendix 1 and 2 shows the initial 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 as allocation adjustments are made by NHS England or contract values are finalised with providers. The most up to date allocation and planned expenditure numbers will be reported to the Governing Body through the finance report.
- 1.5 Assuming this plan is delivered it will see the CCG achieve an agreed in-year deficit of £1.594m, with a cumulative surplus of £16.104m. This means that the CCG will still be delivering above the 1% business rules expectation.
- 1.6 The opening budget presented here is not without its risks and these are discussed in more detail later, although should be noted that it includes unidentified QIPP of £14.773m. Since the March 2017 meeting when this report was first issued it has been agreed with NHS England to reduce the level of unidentified QIPP by releasing part of nationally mandated reserves and to target quality premium, so we have a revised level of unidentified QIPP of £8.7m.
- 1.7 Although the CCG did achieve a higher level of in year QIPP in 2016/17, this was predominately due to the reduction in continuing healthcare costs following a significant review of all continuing healthcare cases for eligibility through the NHS continuing healthcare framework. Future QIPP savings are anticipated to be of a lower level in that area.
- 1.8 For prescribing the anticipated additional costs for oral anticoagulants drugs (NOACs), have not fully materialised, which has reduced the level of spend in 2016/17.

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. Included within the planning guidelines were the following expectations that link to the 2017/18 opening budget expectations:

Description	2017/18 £m
Business Rules	
Delivery against organisational (CCG) in-year control total set centrally by NHS England	(1.594) Deficit
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>	5.658
<i>0.5% available to CCGs to spend non-recurrently, to support transformation and change implied by STPs</i>	5.658
Running costs expenditure must be a maximum of the allocation set centrally	16.793
0.5% CCG local contingency	5.658

- 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 for the next 2 years.
- 2.3 The resulting implication of both the funding settlement for Dorset, shown in section 3, delivery of the planning requirements around business rules, removal of HRG 4+ and agreed contracts and proposed opening budgets has driven a £44.4m QIPP challenge, which is identified in Appendix 4.

3. Revenue Resource Limit

- 3.1 Allocations were 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 2016/17 to reflect movements in portfolio areas for NHS England, the table below identifies the expectations for 2017/18.

Description	2016/17 £'000	2017/18 £'000
CCG Programme Recurrent Baseline Allocations	1,008,295	1,028,474
Primary Care Delegated Recurrent Baseline Allocations	101,220	103,120
TOTAL PROGRAMME RECURRENT BASELINE	1,109,515	1,131,594
Other Allocations		
CCG Allocations – Non-Recurrent (Lodgement and FNC)	15,982	
Other Primary Care Delegated Allocations	(417)	
Specialist Commissioning – with costs		7,318
HRG 4+ Tariff Adjustment		(8,546)
TOTAL PROGRAMME OTHER ALLOCATIONS	15,565	(1,228)
TOTAL PROGRAMME BASELINE	1,125,080	1,130,366
Running Cost Allowance	16,815	16,793
RESOURCE ALLOCATIONS (EXCLUDING DRAW-DOWN)	1,141,895	1,147,159
Agreed draw-down of surplus		1,594
TOTAL ALLOCATIONS	1,141,895	1,148,753
Movement on Resources between financial years		6,858
Adjustment for specialist costs		(7,318)
Negative movement 2017/18		(460)

Cumulative Surplus and Headroom (No draw-down agreed)		
Return of 2016/17 Surplus, less draw-down		16,104
2016/17 1% Headroom delivered		11,107
TOTAL funding held and use to be agreed with NHS England (B/Fwd)		27,211

4. Opening Budgets

- 4.1 Opening Budgets have been developed on the basis of the 2016/17 financial outturn with further risks allowed for to the end of the financial year to arrive at an adjusted outturn position.
- 4.2 Adjustments are then made to the outturn for the removal of non-recurrent allocations of £15,565k (as per table in section 3), before allowing for national expectations on business rules (as per section 2).

4.3 Budgets have also been set to take into account the agreed contract positions with providers or estimated levels of spend where a contract is not in place or required.

4.4 Appendix 1 and 2 identify in more detail the proposed opening budgets.

5. Financial Overview

5.1 The chart contained in Appendix 6 shows how Dorset CCG plans to deploy its funds for 2017/18 for both percentage and monetary values.

5.2 Some key aspects that have derived the opening budgets are identified below:

5.3 **HRG 4+ allocation removal:** Dorset as a system is losing funding of £8.546m in 2017/18. The contracting approach within the Dorset Collaborative agreement is that providers will receive the same level of funding as in 2016/17, with the demand risk managed as a collective system. Dorset CCG in its role of STP lead is still challenging this adjustment with NHS England.

5.4 **Dorset Collaborative agreement:** For 2017/18 the health system providers in Dorset have agreed to flat-cash settlements for their contracts. As such whilst a net movement can be seen for the main Dorset providers this is linked to other changes, such as removal of non-recurrent national allocations and initial estimated full year effect transfer values for MIU services from Dorset Healthcare to the 3 acute providers.

5.5 **NHS National Tariff:** For all other NHS providers outside the collaborative agreement rules around tariff apply, which assume a 2.3% inflationary factor with a -2% efficiency factor, making the net uplift 0.3%.

5.6 **Acute Care:** Outside the collaborative agreement Dorset is still subject to significant increasing demand for elective care, especially in the Independent Sector and University Hospitals Southampton. Further lower level risk exists for non-contract activity and small providers.

5.7 **Primary Care:** From 1st 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 £1.9m with a further expectation to develop a practice transformation fund, with further detail identified in the separate supporting schedule (**Appendix 3**).

5.8 **GP Prescribing:** The proposed budget for prescribing is to maintain at 2016/17 outturn levels, which will require a challenging QIPP plan to be developed and implemented across all practices.

5.9 **Continuing healthcare:** Similarly to prescribing and as a result of the significant QIPP achievements in 2016/17, the proposed budget is to again maintain at 2016/17 outturn levels, so will necessitate continual focus on criteria and costs of care packages. Work is commencing in the West of Dorset in liaison with Dorset County Council to explore pooling of resources to

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obtain better unit prices on market management, although this may not materialise significantly in 2017/18.

- 5.10 **Running Costs:** The CCG is required to operate within its allocation of £16,793k, this was under-spent in 2016/17 and as part of the QIPP requirements it is planned to target a further 2% reduction on outturn. The budget £15.985m, which is approximately divided pay £12.607m and non-pay £3.378m. A number of opportunities are being explored to reduce pay costs such as the introduction of a Mutually Agreed Resignation Scheme (MARS). **(Appendix 2)**
- 5.11 **QIPP:** For 2017/18 the QIPP challenge for Dorset CCG is £44.4m, although £29.7m is delivered through contract and budget setting as per **(Appendix 4)**.
- 5.12 The balance is not yet identified worth £8.7m, previously noted as £14.8m, as a result of agreeing to release part of the national business rules funding and targeting the quality premium. We need to further develop and expand to close this gap. This action will need to be supported through the QIPP group chaired by the Accountable Officer.
- 5.13 **Capital budget:** The CCG has submitted plans and awaiting confirmation from NHS England that the core GP IM&T to the sum of £560k will be approved. Other funding will need to be supported through the national funding pipeline Estates and Technology Transformation Funding (ETTF) application process.

6. Risks

- 6.1 Risks to the proposed opening budgets have been identified through an additional supporting schedule **(Appendix 5)**.
- 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 £10.5m for 2.4% activity growth.

7. Provider Outlook – 2017/18

Annual Reported	2016/17 Target £m	2017/18 CIP	2017/18 STF £m	2017/18 Target £m
Dorset County Hospital	(1.8)	10.3	4.2	(2.9)
Dorset Healthcare University	(4.0)	12.9	1.9	2.2
Poole Hospital	(0.8)	10.9	6.5	(3.1)
Royal Bournemouth & Christchurch Hospitals	(1.4)	9.5	6.1	(6.6)
Total	(8.0)	43.6	18.7	(10.4)

Target – this is the control totals (**deficit**) set for 2016/17 and 2017/18 by NHS Improvement. To date Trusts are forecasting to achieve the control targets set for 2016/17 subject to full STF income being received;

CIP – Cost Improvements (Cash releasing);

STF – Sustainability and Transformation Funding.

There is significant risk around the providers achieving their respective control targets, with CIP %(CIP/Operating spend) ranging from 4.3% at Royal Bournemouth and Christchurch Hospitals NHS Trust to 6.0% at Dorset County NHS Hospital Trust.

8. Conclusion

- 8.1 The funding growth of 2%, worth £20.179m, allocated to Dorset in 2017/18, has been wiped out fully, through a combination of the loss of non-recurrent funding, such as legacy lodgement £8.8m and the impact of £8.5m HRG 4+ tariff and the loss of other non-recurrent allocations. This makes 2017/18 the most challenging financial year we have ever faced.
- 8.2 In addition to the challenges caused by allocations changes is the additional responsibility of complying with NHS England Business Rules to create a 1% Headroom and 0.5% contingency fund, although NHS England have now agreed that we can offset part of our challenge with release of part of this funding.
- 8.3 This paper therefore includes a significant QIPP expectation of which we still have an unidentified amount of £14.8m, partly offset by NHS England agreed business rules funding use and further targeted QIPP on Quality premium, so a revised unidentified QIPP now stands at £8.7m.
- 8.4 For the CCG to be financially sustainable additional QIPP to mitigate the unidentified levels needs to be developed, initial considerations are also included in the additional supporting document, which will need support of the QIPP group, which has been refocused and will be meeting in May 2017.
- 8.5 It should be noted that Primary Care growth has been received to the value of £1.9m and this will be used to target national expectations around primary care five year forward view.

9. Recommendation

- 9.1 The Governing Body is asked to formally **approve** the annual operating plan budget for 2017/18.

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APPENDICES	
Appendix 1	CCG Board Summary Opening Budget 2017/18
Appendix 2	CCG Detailed Summary Opening Budget 2017/18
Appendix 3	Primary Care Opening Budgets 2017/18
Appendix 4	QIPP Plans 2017/18
Appendix 5	CCG Detailed Risks of Opening Budgets 2017/18
Appendix 6	2017/18 Planned expenditure £1.149bn