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NHS DORSET CLINICAL COMMISSIONING GROUP

GOVERNING BODY MEETING

ANNUAL BUDGET 2014-15

Date of the meeting	19/03/2014
Author	C Hickson Head of Management Accounting and Financial Planning
Sponsoring Board Member	P Vater Chief Finance Officer
Purpose of Report	To set out the financial framework for 2014/15 (year 1) as part of the detailed two year delivery plan as outlined in NHS England's Planning for Patients 2014/15 to 2018/19.
Recommendation	The Governing Body approve the annual budget.
Stakeholder Engagement	The Clinical Commissioning Programmes have been engaged in the planning process for 2014/15. A presentation was made to the Governing Body workshop on the 19/02/14 where the financial challenges facing Dorset health services were discussed and how new resources were intended to be used.
Previous GB / Committee/s, Dates	The Annual Budget paper was discussed at the Directors Performance meeting 25/02/14.

Monitoring and Assurance Summary

This report links to the following Assurance Domains	• Quality • Engagement • Outcomes • Governance • Partnership-Working • Leadership

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

Initials: CH

1. Introduction

1.1 This document sets out year one detailed budget for 2014/15 as part of the detailed two year deliver plan as set out in the NHS England Planning for Patients 2014/15 – 2018/19 guidance. This document is to be approved by the members of the Governing Body and sets out the financial framework within which NHS Dorset Clinical Commissioning Group (CCG) and it Officers must operate within.

1.2 The CCG is delegated funds by NHS England for the commissioning of a portfolio of services for their population. CCG's are formally required to set a balanced budget for the forthcoming year, approved by the Governing Body for delegation to Officers.

1.3 The attached Opening Budget for 2014/15 in **Appendix 1** shows the financial framework that the CCG will be required to operate within during the next financial year. **Appendix 1** shows the recurrent CCG baseline, agreed growth allocation, return of surplus and lodgements for 2014/15.

2. Opening Budgets

2.1 In December 2013 NHS England published Resource Limits for 2014/15 confirming growth allocations at 2.3% amounting to £19.253M for the CCG, which gives a recurrent resource allocation of (2013/14 £899,678k plus £19,253k = £918,931k 2014/15). The CCG is shown as being under target resources by 2.18% for 2014/15, which is £24.235M in resource terms.

2.2 **The Everyone Counts Business Rules** required the CCG to plan for the following resource requirements:

Business Rules	**2014/15**	**£M**
Minimum contingency	0.50%	£4.59M
Minimum surplus	1.37%	£12.614M
Non recurrent spend	2.50%	£22.90M
Total	**4.37%**	**£40.104M**

2.3 **The growth allocation** of £19,253K is shown at Appendix 2. Of the budget changes a significant amount reflects mandated inflationary pressures, national must do investments and agreed contract positions for 2014/15.

2.4 Table 1 shows a summary of the opening Resource Allocations for 2014/15:

Table 1 **NHS Dorset CCG 2014/15**	 **£000's**
Initial Programme Resource Limit	899,678
Growth funding	19,253
2013/14 surplus brought forward	12,614
Anticipated 2014.15 Resource Limit Allocations	10,857
Programme Allocation	**942,402**
Running Costs	18,690
Total Allocation	**961,092**

3. NHS Dorset CCG Priorities for 2014/15

3.1 **Three key review areas** over the next 5 years the CCG are as follows:

- Urgent and Emergency Care
- Clinical Services Review
- Better Together

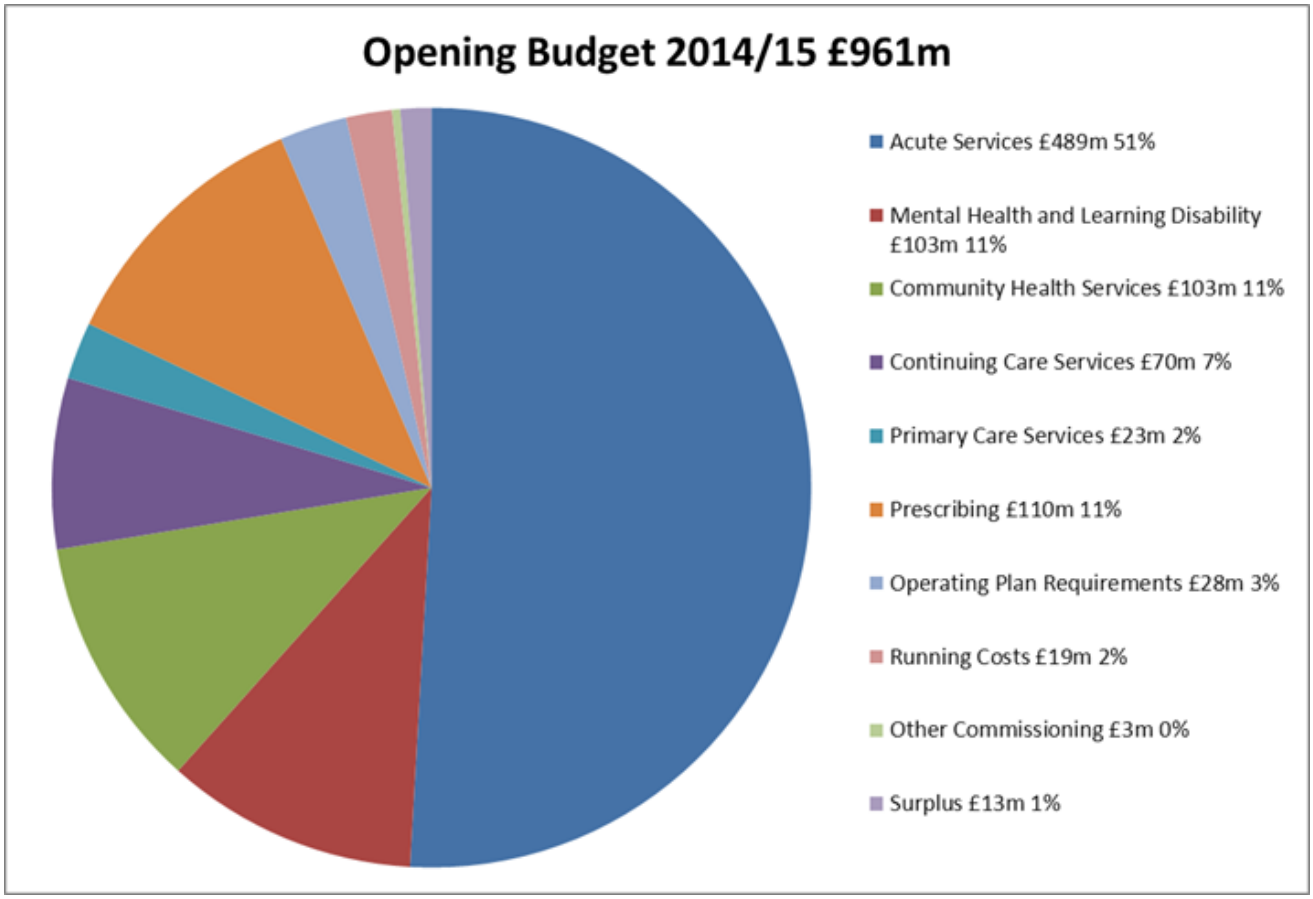
3.2 These areas will be reflected in the priorities of the seven Clinical Commissioning Programmes, with improvements being made against both national and local outcome measures as defined within the NHS England planning guidance.

3.3 **The quality premium** for a CCG will be expressed as £5 per head of population, calculated using the same methodology as for CCG running costs. Based on Dorset CCG running cost allocation the quality premium is estimated as £5 x 749,179 = £3,745,895. The quality premium is anticipated to be a non-recurrent allocation in the year following assessment. Currently the CCG is forecasting this to be valued at £2,109,375 (56% of our maximum achievable) and should be available in 2014/15 (based on performance of 2013/14), subject to NHSE agreement. This resource it is not included within the anticipated allocation to date.

3.4 The Strategic Principles of the CCG remain core to the programmes and will be important to the reviews undertaken in year:

- Services designed around people
- Preventing ill health and equalities
- Sustainable healthcare services
- Care closer to home.

4. Financial Overview (Appendix 1)



5. Financial Overview Narrative

5.1 **The 2013/14 Annual Delivery Plan** included a £10M investment fund was established. A review is currently being undertaken to identify commitments agreed through the 2013/14 prioritisation event which have not impacted to date but are expected to commence in 2014.15. The contingency shown of £4.59M, is being used to cover the costs of the schemes that have not yet commenced, such as district nursing investment.

5.2 **A £1.2m Locality Devolved Commissioning Budget** has been funded again for 2014/15. Schemes supported by this devolved fund will need to demonstrate value for money, and be spent in line with appropriate governance arrangements on the use of public money and support CCG strategy. The Audit and Quality Committee have requested regular reports outlining the schemes supported from this fund.

5.3 **CQUIN schemes** will be in place for 2014/15. The key aim is to secure improvements in the quality of services and better outcomes for patients. Providers will be able to earn up to 2.5% of their annual contract outturn, excluding any income for high cost drugs and devices excluded from national prices.

5.4 **Proposed budget increases** are shown in Table 3 subject to final approval:

Appendix 1 Areas of 2014/15 Budget Changes	Appendix 2	£000	% of Growth
Acute Commissioning	[redacted]	1,000	5.19%
Acute Commissioning	[redacted]	273	1.42%
Acute Commissioning	[redacted]	1,100	5.71%
Primary Care Commissioning - Urgent Care	Frail Elderly Pathway (£5 per head of registered population, 50% funded from local improvement plans & 50% growth)	1,900	9.87%
Primary Care Commissioning	Prescribing	0	0
Acute Commissioning Activity Growth	[redacted]	1,000	5.19%
Acute Commissioning Activity Growth	[redacted]	1,355	7.04%
Acute Commissioning Activity Growth	[redacted]	300	1.56%
Primary Care Commissioning - Urgent Care	111 Medical Call Handers & Urgent Care GP Provision	528	2.74%
Continuing Care Commissioning	CHC	2,973	15.44%

Other Commissioning	Investment Fund	387	2.01%
Other Commissioning - Non Recurrent Fund	Create Business Rules – Better Care Fund (2.5%)	4,237	22.02%
Community & Mental Health Services	[redacted]	700	3.61%
Urgent Care	Urgent Care Frail Elderly Pathway (forms part of non-recurrent headroom)	3,500	18.2%
Total Growth		**£19,253**	**100%**

5.5 **Acute Care** remains the highest level for financial spend for the CCG at £488M or 51% of the total CCG allocation. Financial tolerance risk shares are being negotiated with secondary care providers where possible to reduce volatility and to provide reduced risk of financial over-performance. This also provides certainty of income for acute trusts in year, where service redesign schemes are introduced to improve patient pathways. Secondary Care Inflation has been estimated for 2014/15 as 2.3%. This equates to a £15.5M saving the provider sector will need to achieve to mitigate against cost pressures.

5.6 **GP referral** increases, particularly in 2 week fast track referrals, continue to create demand pressures within acute outpatient appointments and RTT (referral to treatment) 18 weeks. The CCG will continue to monitor the level of referrals with localities.

5.7 **A fertility paper** presented to the Governing Body 15 January 2014 agreed to consult on a change to the age range for accessing fertility services and the number of cycles funded. An indicative increase of £1M has been added to this budget area from growth funding to reflect likely increases in costs should the policy change be agreed following consultation.

5.8 **Continuing Health Care** remains one of the most significant financial risks for the CCG in 2014/15 and beyond. The opening budget for 2014/15 has been rebased using the forecast outturn for 2013/14 and then uplifted by 5%. This equates to uplift in real terms of £5.7M or 10% compared to the 2013/14 budget. Growth within this area relates to the continued increase of CHC eligible applications.

5.9 **Patients 75 or older** have been identified for transforming care which should reduce avoidable admissions (Everyone Counts planning guidance). The guidance states this funding will be around £5 per head of population. Using NHS England supplied population we estimate this commitment to be £3.8M. The contractual commitment around this payment is being clarified with NHS England.

5.10 **Dementia** continues to be a national priority with a requirement to achieve 67% diagnosis rate by March 2015. The Department of Health document No Health without Mental Health sets out these expectations and we anticipate

funding being made available to invest in this priority area, subject to prioritisation.

5.11 **GP Prescribing** in Dorset is among the most cost effective in the country, with regular medicine management monitoring of drug costs and practices who have engaged well with the CCG on this area. This however still represents a significant continued financial risk as this area is volatile to changes in volume, cost growth and mandated changes through NICE TA (technological appraisals). There also remains a high level of prescribing variation across Dorset CCG between the most and least efficient and effective prescribers. An increase of 3% has been applied to 2013/14 cost outturn. As the CCG looks to implement its strategic direction it is expected future growth in prescription volume will need to be funded, as conditions are further managed through this budget in non-acute settings. The current budget assumption for 2014.15 is that it will not be a call against the CCG growth in resources.

5.12 **Community Reablement Schemes** budgets at £4M will continue in 2014/15 to assist in the discharging of patients from hospital.

5.13 **Patient Transport Services** budget has been adjusted in 2014/15 in-line with estimated activity levels. As the eligibility criteria are reinforced the CCG could experience reductions in patient journeys. Internal Audit is currently carrying out a review of current activity and PTS provider systems.

5.14 **Running costs** are set at a maximum of £25 per head which equates to £18.69M. Currently Dorset CCG is modelling to run at £22.33 based on a NHS England advised population of 749,179. This delivers a 10% efficiency within Running Costs which is planned to be maintained within 2014/15 and beyond. This is in-line with NHS England allocations for Running Costs which requires five years plans to deliver a 10% reduction in the Running Costs allocations from 2015/16 onwards.

5.15 I**nflation**, **contractual commitments**, CCG agreed schemes and forecast contract values are included in Appendices 1 & 2. Where investments require further negotiation and agreement then they are held in Investment Funds for release during the year. Appendix 1 & 2 are a broad statement of strategic direction that will need to be refined in terms of both the global sums and operational budgets as investments and contracts are agreed as part of the 2014/15 contracting process.

5.16 **Budget changes** will need to be made during the first months operating period to reflect final contract agreements and final prioritisation of investment decisions, which will be derived from available funding post the contracting round. Post opening budget changes and amendments will need to be reflected in the budgets, and future Finance Reports.

5.17 **Non-Recurrent business rules** £22,973K, is being used as follows in Table 4:

Application 2014.15 (non-recurrent)	**£'000**
[redacted]	3,000
[redacted]	1,500
[redacted]	1,000
Continuing Healthcare Retrospective	1,500
[redacted]	3,000
Total	**10,000**
[redacted]	3,284
Non Recurrent – Urgent Care, Better Care 2014/15	9,189
[redacted]	500
Total	**22,973**

6. Conclusion

6.1 The NHS Dorset Clinical Commissioning Group faces a challenging financial year in 2014/15 as the NHS operates within a tight financial framework and plans for integration of the Better Care challenge.

6.2 The emphasis in 2014/15 will need to be one of continued financial control along with a focus to commission healthcare services for the future in alignment with the approved strategy.

6.3 Throughout 2014/15 the CCG will need to develop its planning processes to develop aligned plans with providers and local authority partners to deliver the challenges laid down in Everyone Counts, planning for patients 2014/15 – 2018/19.

6.4 The complexity of the service transformation, along with known demand for services, indicates a challenging year ahead for the financial position of the CCG as it plans for the delivery of Better Care and its strategic objectives.

6.5 It should be noted that all budgets remain those of the Accountable Officer, as delegated by the Board, and the right to amend is ultimately with the Accountable Officer.