

NHS DORSET CLINICAL COMMISSIONING GROUP
GOVERNING BODY MEETING
ANNUAL BUDGET 2019/20

Date of the meeting	15/05/2019
Author	M Gravelle, Assistant Director of Finance - Strategy
Sponsoring Board member	S Hunter, Chief Finance Officer
Purpose of Report	To provide an overview of the 2019/20 refreshed annual plan and corresponding opening budgets.
Recommendation	The Governing Body is asked to note the annual budget for 2019/20.
Stakeholder Engagement	Active engagement with the Directors of Finance and Deputy Directors of Finance from the Dorset providers to agree the new three-year collaborative agreement which underpins the budget setting process. Consultation through OFRG from November 18 onwards to link operational priorities with financial planning within the collaborative agreement. Engagement with individual budget holders within CCG during planning to identify cost pressures and savings opportunities, including the challenges in prescribing and continuing care.
Previous GB / Committee/s, Dates	Governing Body meeting 20/3/2019

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	✓		
People/Staff	✓		✓
Financial/Value for Money/Sustainability	✓		✓
Information Management & Technology	✓		✓

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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 : MG

1. Introduction

- 1.1 This document aims to set out the financial aspects of the annual operating plan opening budgets for the 2019/20 financial year.
- 1.2 The Clinical Commissioning Group (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.
- 1.3 The opening budget referred to in Appendix 1 shows the initial financial framework within which NHS Dorset Clinical Commissioning Group (CCG) and its Officers will be required to operate. The numbers in this opening budget will change as allocation adjustments are made by NHS England or contract values are varied with providers. 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 CCG has received an increase of £65.110m. This is not all new money as it includes funding previously allocated via alternative routes.
- 1.5 The framework proposed for 2019/20 is to maintain an equitable basis of investment outside of those areas that are mandated to see larger increases, principally mental health. Thus budgets will be set at 2.7% above 2018/19 forecast outturn, with some areas subject to specific Quality, Innovation, Productivity and Prevention (QIPP) plans to mitigate significant overspends arising in 2018/19.
- 1.6 The CCG has an opening control total to deliver a deficit of £1.000m.
- 1.7 The opening budget presented here is not without its risks and it should be noted that the opening budget has an increased level of QIPP required compared to 2018/19, with an element of these savings still to be identified.
- 1.8 In arriving at this opening budget there has been full engagement and collaboration with the Dorset providers to address financial challenges across the system and agree an approach that can deliver the Integrated Care System (ICS) control total.

2. Revenue Resource Limit

- 2.1 The headline national funding figure was 5.7% cash growth (3.8% real terms) in 2019/20 allocations but there were a significant number of changes to the allocation methodology enacted at the same time, resulting in a complex national and local picture.
- 2.2 Dorset CCG have an overall increase of £65.110m in allocation compared to the 2018/19 recurrent baseline allocation.

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	2018/19 £m's	2019/20 £m's	Movement £m's
CCG Programme Recurrent Baseline Allocations	1,053.465	1,112.118	58.653
Primary Care Delegated	105.931	112.366	6.435
Running Costs Allocation	16.772	16.794	0.022
	1,176.168	1,241.278	65.110
Non recurrent allocations and drawdown		1.707	
Total Opening Budget Allocations		1,242.985	

- 2.3 However, this is not simply increased funding as it includes movement of previously non-recurrent and pass through funding in to the baseline, equivalent to £24.986m.

	2019/20 £m's
CCG Programme Recurrent Baseline Growth	58.653
18/19 pay award	-10.850
Provider Sustainability Fund	-12.590
Ambulance*	-1.023
Other	-0.523
	-24.986
'New' Baseline Growth 2019/20	33.667

* Dorset CCG share of pass through funding for ambulance winter resilience and paramedic rebanding

- 2.4 The impact of the above movements is a 'real' increase in funding in to the core allocation of £33.667m, or 3.2%. Including Primary Care Delegated and Running Costs, this total is £40.124m new funding (3.4%).

3. Financial Gap

- 3.1 Despite the increase in baseline allocation to the CCG the Dorset System has an underlying funding gap of £29.784m. This arises from significant increases in pay costs, non-recurrent Cost Improvement Programme (CIP) delivery in 18/19 that needs to be realised in 19/20 and cost pressures in key areas.
- 3.2 The system has identified options to bridge this shortfall, including stretching the CIP requirements, which requires building in additional unidentified savings intentions, delays to planned developments and use of non-recurrent income.

4. Opening Budgets

- 4.1 Opening budgets have been developed on the basis of the 2018/19 forecast outturn as at the end of month nine as a start point, after removal of all non-recurrent allocations received.
- 4.2 Agreed and mandated commitments have been adjusted for into 2019/20. These include the Mental Health Investment Standard, Primary Care investment and local commitments such as Integrated Community and Primary Care Services (ICPCS) and lung cancer funding.

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- 4.3 A 2.7% uplift has been assumed on the majority of the remaining budget lines.
- 4.4 It should be noted therefore that those areas in 2018/19 that had over-spends, will need to manage those over-spends within the allotted funding envelope. QIPP plans have been developed for these with a small unidentified requirement of £0.743m remaining to be resolved early in 2019/20.
- 4.5 Appendix 1 summarises the opening budgets.
- 4.6 Some key aspects that have derived the opening budgets are identified below:
- 4.7 **Dorset Collaborative agreement:** For 2019/20 the health system providers in Dorset have agreed to a 2.7% uplift for their contracts. Further adjustments for transfers of funding and for additional services previously agreed have been applied.
- 4.8 In addition to the uplift and allocation adjustments a total of £5.000m has been included in acute opening budgets to fund essential activity: maintenance of waiting lists, cancer standards (fast tracks and diagnostics), and key specialities such as dermatology and ophthalmology as outlined in the ICS Operational Plan 19/20.
- 4.9 **Mental Health:** The planning requirements set out that the Mental Health Investment Standard (MHIS) must be achieved. This is to invest the same level of growth as received in the overall allocation, plus 0.7% (6.2% required), equal to £7.520m.
- 4.10 **Primary Care:** The Primary Care Delegated budget has an allocation uplift of £6.029m (5.9%).
- 4.11 **Integrated Community and Primary Care:** During 2018/19 plans were approved and implementation commenced to progress the integration of community and primary care across Dorset. An annual budget of £6.676m (including inflation) has been allocated for this in 2019/20.
- 4.12 **QIPP:** For 2019/20 the QIPP challenge for Dorset CCG is £44.761m (3.6%).
- 4.13 Dorset CCG QIPP is significantly more than 2018/19 which is due to the substantial financial pressures summarised above.

5. Conclusion

- 5.1 Dorset CCG has received a significant recurrent funding uplift for 2019/20, totalling £65.110m. Although this isn't all new money, with £24.986m being funding moved in to the allocation, it delivers an opportunity to invest in primary care, mental health services and acute trusts, including funding some acute activity growth in critical areas.
- 5.2 The plan delivers the mandated requirement for mental health investment and growth in primary care through increased delegated allocations,

transformation funding and the system commitment to integrated community and primary care.

- 5.3 However, achieving a viable opening budget and agreeing funding across the system has proved challenging. Transformational work to support the system and deliver improvements in the quality and efficiency of care will be needed, with the CCG playing a key role in system sustainability throughout 2019/20 and ahead in to the long term plan.

6. Recommendation

- 6.1 The Governing Body is asked to **note** the annual operating plan budget for 2019/20.

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Date: 5 April 2019

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APPENDICES	
Appendix 1	CCG Board Summary Opening Budget 2019/20