

# Governing Body (Public) Meeting

DATE: 28th March 2013

<p>Title</p>	<p><b>2013/14 Budgets</b></p>
<p>Recommended action for the Governing Body</p>	<p>That the Governing Body:</p> <p><b>NOTE</b> the methodology used to calculate the draft 2013/14 budgets;</p> <p><b>NOTE</b> the submission of 3 iterations of the balanced 2013/14 budget to the NHS Commissioning Board;</p> <p><b>NOTE</b> the risks associated with the delivery of a balanced budget;</p> <p><b>APPROVE</b> the draft 2013/14 balanced budget, whilst recognising the risks inherent in the plan, to ensure assignment to relevant directors prior to 1<sup>st</sup> April 2013.</p>
<p>Executive Summary</p>	<p>The CCG received notification of its allocation for 2013/14 in mid December. Since then, a robust, balanced financial plan has been constructed which was submitted to the NHS Commissioning Board in January. Two further iterations of this plan have subsequently been submitted which have included cash flow information and details of planned acute contracts. A further submission is expected to be made at the end of March 2013.</p> <p>From the financial planning template, the draft CCG budgets have been formulated and shared with Directors and Senior Managers on a number of occasions. Final sign off of the budgets will be undertaken at the end of March / beginning of April when the provider contracts have been signed. Until the contracts have been negotiated and signed, there remains a risk that the plan/budget may be insufficient and additional QIPP will be required. Further risks to the balanced budget position are articulated in section 3 of the report.</p> <p>A further update on the final budget will be presented to the Governing Body after contracts have been agreed and the validation of the Specialised Commissioning allocation adjustment has been completed.</p>

Which objective does this paper support?	<b>Patients:</b> Improve the health and wellbeing of people in Bexley in partnership with our key stakeholders	✓
	<b>People:</b> Empower our staff to make BCCG the most successful CCG in (south) London	
	<b>Pounds:</b> Delivering on all of our statutory duties and become an effective, efficient and economical organisation	✓
	<b>Process:</b> Commission safe, sustainable and equitable services in line with the operating framework and which improves outcomes and patient experience	✓
Organisational implications	Key Risks (corporate and/or clinical)	There are a number of risks to the delivery of the balanced budget as submitted. The main risks are around the transfer of specialist commissioning and the assumption that this remains cost neutral; and that the acute contracts will not be negotiated within the resource envelope available.
	Equality and Diversity	Not applicable
	Patient impact	Not applicable
	Financial	This paper demonstrates that the CCG currently has a balanced budget for 2013/14 which has followed the required national planning assumptions, to the Department of Health and National Commissioning Board, for consideration.
	Legal Issues	Not applicable
	NHS constitution	Not applicable
<b>Consultation</b> (Public, member or other)	Not required	
<b>Audit</b> (Considered / Approved by Other Committees / Groups)	The budgets have been considered by Directors and budget holders and will be considered and approved by the Governing Body at its March meeting.	
Communications Plan	Not applicable	
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Date	1 <sup>st</sup> March 2013
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# **Bexley Clinical Commissioning Group 2013/14 Budgets**

## **1. Introduction**

The CCG received notification of its allocation for 2013/14 in mid December 2012. Since then, a robust, balanced financial plan has been constructed which was submitted to the NHS Commissioning Board in January.

A planning update with details of the first submission was reported at the February meeting of the Governing Body. Two further iterations of this plan have subsequently been submitted which have included cash flow information and details of planned acute contracts. A further submission is expected to be made at the end of March 2013.

From the financial planning template, the draft CCG budgets have been formulated and shared with Directors and Senior Managers on a number of occasions. Final sign off of the budgets will be undertaken at the end of March / beginning of April when provider contracts have been signed. Until these contracts have been negotiated and signed, there remains a risk that the plan/budget may be insufficient and additional QIPP will be required. A number of other risks to the position are articulated within this report.

Whilst it is not unusual to have a number of outstanding funding issues when the budget is agreed in March, the value and potential risk is such that the Governing Body will require an updated budget position in the new financial year linked to the formal establishment of the CCG from 1<sup>st</sup> April 2013 and the latest position on contracts with providers.

The first year of any new organisation presents many challenges including financial balance. The wider context of the planned reconfiguration of acute services in South East London adds further uncertainty and financial risk. Therefore, in addition to planning for 2013/14, the CCG will continue to focus on longer term financial balance. The medium term financial strategy will be updated to be CCG specific and this will be brought to a future meeting.

## 2. 2013/14 Budgets

The budgets have been prepared in accordance with the national planning guidance. The assumptions used are shown in Table 1 below:

**Table 1: 2013/14 Planning Assumptions**

	demographic Growth	Non-demographic growth	Total population & incidence growth	Prescribing growth	Tariff/ Inflation Uplift	Tariff efficiency assumption/ Price Efficiency applied	Net Tariff/ Inflation Uplift
Acute	0.43%	2.00%	2.43%	0	2.90%	(4.00%)	(1.10%)
Client Groups and Community	0.43%	2.00%	2.43%	0	2.70%	(4.00%)	(1.30%)
Primary Care	0.43%	1.00%	1.43%		1.00%	0	1.00%
Prescribing				4%			
Corporate	0	0	0.00%	0	2.50%	0	2.50%
Other Budgets and Reserves	0	0	0.00%	0	0.00%	0	0.00%

In addition to these assumptions, the CCG has been advised that they should assume that the specialist commissioning transfer will be cost neutral. Until all provider contracts have been negotiated this remains a risk.

The CCG is planning to deliver a 1% surplus of £2.57m for 2013/14. Furthermore, 0.5% contingency and 2% non-recurrent resource (headroom) have been set aside in line with Operating Framework requirements.

The recurrent expenditure (assessed at month 6), for which non-recurrent resource was received by the Care Trust in 2012/13, has been included in the draft 2013/14 financial plans. The CCG has not assumed any financial support in these plans.

In order to produce a robust balanced budget, and report a 1% surplus, the CCG has identified £10.9m of QIPP schemes which are across the acute, mental health and corporate headings. Full details of the programme are reported separately.

As the contracts for provision of services are yet to be negotiated and signed, there remains a risk that the draft budget presented below may be insufficient and further QIPP schemes will be required to continue to deliver the balanced position. This will become clearer as contracts are agreed and a future update on this will be provided.

Tables 2 and 3 show the draft budgets at this point in time, and as submitted:

**Table 2 Summary of 2013/14 budgets included in latest financial planning**

<b>Total CCG Resources</b>	<b>(265,768)</b>
Acute services	150,979
Mental Health services	26,949
Community services	24,381
Continuing Care services	8,217
Primary Care services(incl Prescribing)	35,349
Other Programme services(incl reablement)	2,013
<b>Total - Commissioning services</b>	<b>247,888</b>
Corporate costs(not Running costs)	1,117
Contingency (Minimum 0.5%)	1,285
2% Headroom (Subject to BC Approval)	5,138
CCG Activity Management reserve	1,151
Other CCG Risk reserves	978
<b>Total Planning Application</b>	<b>257,557</b>
<b>Total Running costs Application</b>	<b>5,642</b>
<b>Total 2013/14 Applications</b>	<b>263,199</b>
<b>1% Planned surplus</b>	<b>2,569</b>

**Table 3 Detailed 2013/14 budgets included in latest financial planning**

<b>Summary of 2013/14 Budgets</b>	
<b>Description of Service</b>	<b>Value (£'000)</b>
Acute SLAs	144,521
High cost treatment & drugs	1,316
Non Contracted activity (NCAs)	2,670
Home Delivery drugs	1,547
Mental health	25,511
Community Provider SLAs	15,635
Community Services (incl GP led)	8,715
Continuing Care	7,954
Learning disabilities	1,439
3rd Sector / Voluntary services	2,422
Prescribing	29,821
Out of Hours	2,084
Kitemark / GP LES	1,205
Other Primary care	897
Patient Management Centre	366
Running costs	5,642
Other Corporate costs - o/s running costs	1,264
Committed Resources and Reserves	12,454
Other	305
<b>Total</b>	<b>265,768</b>

Committed Resources and Reserves can be further broken down as in Table 4 below:

**Table 4 – Committed resources and reserves**

	£'000
1% surplus	2,569
0.5% contingency	1,285
2% headroom	5,138
Activity management / SLA reserve	1,151
Risk reserve	478
Prescribing reserve	500
Reablement	682
Community surgical appliances	400
Child continuing healthcare	250
<b>Total</b>	<b>12,453</b>

The allocation for the CCG is as shown in table 5. It should be noted that the programme allocation cannot be used to fund running costs but any underspend on running costs can be used for programme costs. Planned running costs are currently £5,642k against the £5,660k allowance.

The planned 2013/14 Revenue Resource Limit (RRL) of the CCG is shown in table 4 below:

**Table 5 – CCG 2013/14 Revenue Resource Limit**

	£'000
Initial Allocation	251,148
2013/14 Growth	5,776
Running cost allowance	5,660
Return of 2012/13 surplus	2,516
Other anticipated allocations	668
<b>Total 2013/14</b>	<b>265,768</b>

### 3. 2013/14 Risks

The following risks have been identified for 2013/14:

- New 2013/14 QIPP of £10.4m, and £0.5m brought forward from 2012/13, is required to achieve a 1% surplus in 2013/14, based on financial planning. This is a challenging target when considering the substantial QIPP delivered by Bexley over the previous five years.
- The final allocation for the CCG is now known. There are a number of issues which remain outstanding in terms of the split of the specialist commissioning transfer by provider to ensure that it is cost neutral and also confirmation of any adjustments in respect of property services, public health, primary care and GP IT services. A number of assumptions have been made in the

submission of the 1% surplus plan. If any of the assumptions are found to be incorrect, then there is a possibility that it may increase the 2013/14 QIPP savings requirement or reduce the CCG's ability to make a 1% surplus.

- A major risk for the CCG is the management of the acute contracts within the planned 2013/14 envelope allowing for the QIPP requirement, the TSA recommendations and assumptions and delivery of the transformation programme. This is heightened by the continued unavailability of changes as a result of tariff updates.
- Any negative changes in the market forces factor following any change in hospital configuration / patient flow as a result of TSA recommendations.
- The CCG has received a large number of potential continuing healthcare unassessed periods of care claims. The most likely assessed costs have been included in 2012/13, but these are difficult to assess accurately and a risk remains that further costs may transpire in 2013/14, considering the time to assess each claim, outstanding judicial review and appeal timescales. The Care Trust has employed the services of a specialist consultancy firm to increase the speed of assessment which will improve the reliability of these costs.
- The implementation and shadow running of Payments by results (PbR) in Mental Health services may introduce further costs pressures. However, in mitigation, costs in line with 2012/13 baselines have been agreed for 2013/14.
- The wider prescribing of anti-coagulation drugs in 2013/14, based on NICE guidance, may introduce an additional costs pressure.
- There is a risk that the introduction of the audiology any willing provider (AWP) scheme may increase expenditure in this area.
- There is a risk that no funding will be returned to CCGs for the NHS Direct 0845 service to cover the new 111 provision, despite earlier assurances. Some costs have been included in planning but actual costs are not yet known.
- There is an emerging cost pressure for 2013 and beyond caused by the transfer back to the Local Authority of responsibility for post-18 education for young people with learning difficulties previously funded by the Young People's Learning Agency. Bexley (both the London Borough and Care Trust) is one of only three areas nationally which have not contributed to the social and health elements of the funding of such places (in Independent Specialist Provision) in the past.

#### **4. Mitigation of Risks**

A number of plans have been put in place to manage the risks identified for 2013/14 which are as follows:

- Transformational QIPP schemes are being developed to ensure sustainable change an additional resources have been invested in 2012/13 in the planning and delivery of QIPP schemes to ensure delivery of the schemes;
- 0.5% contingency funding including in the financial planning model;
- £0.5m Prescribing reserve;
- £0.5m risk reserve;

- £1.2m activity management reserve to offset the RAG rating of QIPP schemes;
- Further pipeline schemes for QIPP are being developed;
- Internal Programme Management Office (PMO) processes which are integral and fully embedded in the organisation. The PMO has robust monitoring and reporting systems in place to support delivery of the QIPP schemes.
- There is a South East London PMO, across the six CCGs, which will also support the development and delivery of QIPP relating to Community Based Care.
- The CCG is part of the South East London risk share collaboration agreement, which may be called upon in certain circumstances to assist with short term financial support as well as assisting with joint working around commissioning etc.
- The CCG is currently screening and assessing the claims received in respect of continuing healthcare unassessed periods of care and has invested in additional support in order to undertake this work. It is hoped that a realistic provision will be included in the 2012/13 Accounts.
- For 2013/14, the CCG has agreed with its main Mental Health provider that the contract will remain on a block basis whilst the initial clustering and PbR data is reviewed and assessed for accuracy before being used as a basis for the following year's contract.
- The CCG will also be ensuring that community based care, linking with 111, is considered where possible to reduce hospital admissions and treat patients in the community or their own homes when possible.
- The CCG will be working closely with the South London Commissioning Support Unit to robustly performance manage contracts with all acute providers. In-house teams will provide the same level of robust support with community and mental health contracts.

However, dependant on any risks that materialise, these may be insufficient to sustain a 1% surplus plan for 2013/14.

## **5. 2013/14 Opportunities**

The CCG has also identified the following opportunities in 2013/14:

- The evolution of the new commissioning organisation with renewed vision and goals for the commissioning and delivery of healthcare for the residents of Bexley.
- The development of Community services on the Queen Mary's Sidcup (QMS) site and the joint working with other partners to ensure the success of the project provides an opportunity to improve healthcare for Bexley residents.
- The new integrated commissioning team across the CCG and Bexley Local Authority provides an opportunity to share expertise and commissioning experience and benefits from economies from increased purchasing power.
- Working collaboratively with other CCGs in South East London and also with our partners in the CSU to share best practice and benefit from economies of scale.

- To work towards a community based care model to increase healthcare closer to home and decrease reliance on acute hospital based care for the residents of Bexley.

## 6. Recommendation

The Governing Body is asked to:

- **NOTE** the methodology used to calculate the draft 2013/14 budgets;
- **NOTE** the submission of 3 iterations of the balanced 2013/14 budget to the NHS Commissioning Board;
- **NOTE** the risks associated with the delivery of a balanced budget;
- **APPROVE** the draft 2013/14 balanced budget, whilst recognising the risks inherent in the plan, to ensure assignment to relevant directors prior to 1<sup>st</sup> April 2013.