

**Update on 2016/17 Financial Plan and Approval of 2016/17
 Updated Budgets**

Governing Body meeting

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5 May 2016

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Is your report for Approval / Consideration / Noting	
<p><u>For Approval.</u> This report provides an update on the financial planning process for 2016/17 and asks Governing Body to approve the updated 2016/17 budgets as set out in Appendix A, which reflect the CCG's financial plan submission to NHS England on 18 April 2016</p>	
Are there any Resource Implications (including Financial, Staffing etc)?	
<p>None in respect of the plan submission, but there are significant staff resource implications for the CCG to be able to effectively deliver the service transformation requirements within the QIPP plan. Successful delivery of at least £20m of QIPP savings is fundamental to delivery of the overall financial plan for 2016/17. The current confirm and challenge process for the QIPP programme is identifying capacity and capability gaps and these will be reviewed and solutions considered by the executive team within the next month.</p>	
Audit Requirement	
<p><u>CCG Objectives</u></p> <p><i>Which of the CCG's objectives does this paper support?</i> Strategic Objective - To ensure there is a sustainable, affordable healthcare system in Sheffield. It supports management of the CCG's principal risks 3.1, 4.1, 4.2 and 4.3 in the Assurance Framework.</p>	
<p><u>Equality impact assessment</u></p> <p><i>Have you carried out an Equality Impact Assessment and is it attached?</i> No. <i>If not, why not?</i> There are no specific issues associated with this report.</p>	
<p><u>PPE Activity</u></p> <p><i>How does your paper support involving patients, carers and the public?</i> Not Applicable.</p>	

Recommendations

The Governing Body is asked to note the changes made to the financial plan submitted to NHS England on 18 April 2016 and approve the CCG's updated 2016/17 budgets as set out in Appendix A.

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1. Background

Governing Body received the latest 2016/17 financial plan on 7 April which at the time, it was expected would be the version to be submitted to NHS England on 11 April 2016. Members approved the plan which showed delivery of statutory breakeven duty but not the 1% surplus required to comply with NHS England key finance business rules. The reasons for why the CCG was unable to plan for a 1% surplus were set out in the paper, along with the possible implications of non compliance.

Governing Body were updated at the meeting on the confirm and challenge meeting which the CCG's Accountable Officer and Director of finance had had with a senior team from NHSE England earlier that day; and their request for the CCG to consider improving the plan position from the proposed statutory breakeven for a revised submission date of 18 April 2016. Members agreed to delegate authority to the Accountable Officer and Director of Finance, with the CCG's Chair to consider in more detail the options for responding positively to the request, in particular whether the CCG could plan for a 0.5% surplus, and to adjust the plan submission as appropriate for 18 April. It was agreed that a summary of any changes to the plan would be reported back to Governing Body in May.

This paper sets out the changes which were made and at Appendix A the revised initial budgets which Governing Body is asked to approve. These will be the budgets which are then used for uploading into the CCG's general ledger for 2016/17 in May.

2. Key Changes to Financial Plan and opening budgets

After considering the options it was agreed that the plan should be amended to show a £3.5m or circa 0.5% surplus. In doing so, it was acknowledged that this increases the financial challenges to the CCG as it increases the risks to be managed in year.

Table 1 below summarises the changes made to move the plan from the previous £0.1m to £3.5m surplus. All areas of spend were reviewed and we were able to take into consideration the impact of the month 12 results and progress made on contract negotiations to help shape the changes to the plan.

Table 1:

Changes to Plan to move from breakeven (£100k surplus) to 0.5% (£3.5m) surplus for 18 April submission		
	£'000	£'000
1 Prescribing		
Additional QIPP	450	New incentive scheme proposed by Medicines Management Team <i>This will take total CCG GROSS QIPP to £19.5m</i>
Price benefit	615	NHS E have recently indicated that the lower Category M prices from which CCGs have benefited in Q4 of 2015/16 are likely to continue throughout 2016/17. For Sheffield this could be over £2m. In the 11 April submission we had assumed £0.8m benefit after offsetting with an increase in expected volume pressures previously evaluated as a risk. For this submission we have taken a more optimistic view of net benefit of price changes V activity volume. This takes into account the latest (Feb 16) information for 2015/16.
		1065 In total assessed as medium risk to plan
2 CHC		
	500	Removed £500k out of budget based on latest estimate of requirement using M12 position. - Assessed as medium risk to plan.
3 Primary Care		
	820	The CCG has committed to investing additional resources into Primary Care in 2016/17. The plan includes earmarking £3m (or approx £5 per head) as available to support developments to increase out of hospital care. The revised plan assumes £450k slippage. In addition we have pre-commitments which originally we were looking to fund from our Non Recurrent 1% reserve (which now has to be fully uncommitted). We had already assumed a contribution from the delegated primary care budget and have now increased this by £370k. It is important to stress that there is no intention to reduce previously approved spend, but we are seeking alternative sources of funding and expecting some in year slippage on spend. Assessed as low risk.
4 Acute spend		
	710	Make minor amendments to opening budgets (£260k) to reflect M12 out-turn position and remove £450k activity over performance reserve. Both actions increase the risk to the plan. - Assessed as medium to high risk.
5 Other spend		
	305	variety of spend including on premises -assessed as low risk
	<hr/>	
	3400	

An important part of the plan submission to NHSE is to indicate the level of potential risks which we have not included in the plan and what actions /options we have available to mitigate those risks. NHSE expects CCGs to work to having £NIL uncovered risk – ie to have potential mitigating actions/contingency reserves sufficient to cover potential risks. For the 18 April submission the assessment was £10.6m of risks not included in the plan

and £7.6m of potential mitigating actions. On top of use of the 0.5% contingency fund, this includes identifying additional QIPP, securing additional national income and potential slippage on investments. This leaves c£3m of uncovered or un-mitigated risk. If this were to crystallise because the CCG is now planning on a £3.5m surplus, it would still mean we would delivery a statutory breakeven position. However, it is important to stress that this is an exceptionally tight financial position in which to commence the financial year and will require very close monitoring throughout the year, with the likelihood of the need to develop remedial actions in year. In the monthly finance reports to Governing Body during 2016/17 an update will be provided on the risks and mitigations.

3. Approval of updated opening 2016/17 revenue budgets

Appendix A sets out the initial budgets covering our total anticipated resources of £820m (programme) and £12m (running costs), as updated for the changes to the financial plan discussed in section 2.

The budgets have been assigned to individual directors where possible, and the Governing Body is asked to approve these updated opening budgets and the distribution to individual directors to enable expenditure to be committed and payments to be made. These will also be the budgets to be uploaded into the CCG's general ledger.

Recommendations

The Governing Body is asked to note the changes made to the financial plan submitted to NHS England on 18 April 2016 and approve the CCG's updated 2016/17 budgets as set out in Appendix A.

Julia Newton
Director of Finance
April 2016

Sheffield CCG Initial Revenue Budgets for 2016/17		2016/17										2016/17 Forecast Spend before QIPP			GROSS QIPP	2016/17 Forecast Spend AFTER QIPP		
	Proposed Budget Holder	Budget brought forward from 2015/16 £'000	Virement £000	Recurrent Adjs to RRL £000	Non-Rec Adjs to RRL £000	Price Change Net of Inflation & Tariff Efficiency £000	Demand Led Activity * £000	New Investment		Rec £000	NonRec £000	Rec £000	NonRec £000	Total £000	£000	Rec £000	NonRec £000	TOTAL £000
								Rec £000	NonRec £000									
ALLOCATIONS																		
Commissioning Allocation		720,758									720,758	0	720,758					
Confirmed Growth at 2.2%				16,030							16,030	0	16,030					
Allocated Funding in relation to co-commissioning				74,747							74,747	0	74,747					
Return of 15/16 surplus					7,450						0	7,450	7,450					
Running Cost Allocation		12,627		27	0						12,654	0	12,654					
Allocations		733,385	0	90,804	7,450	0	0	0	0	0	824,189	7,450	831,639					
Programme Expenditure																		
N.B. ALL BUDGETS ARE SHOWN NET OF INCOME AT THIS STAGE																		
Secondary Care																		
Acute contracts (Adults and Children)	J Newton	370,827	0	0	0	6,095	7,951	140	2,309		385,013	2,309	387,322	(13,180)	371,833	2,309	374,142	
Ambulance Services (All providers, Emergency & PTS)	J Newton	22,140	330	0	0	244	500	0	0		23,214	0	23,214		23,214	0	23,214	
IFRs	K Clifford	994	0	0	0	16	0	0	0		1,011	0	1,011	(150)	861	0	861	
NCAs	J Newton	3,737	0	0	0	63	0	0	0		3,800	0	3,800	0	3,800	0	3,800	
TOTAL secondary care		397,698	330	0	0	6,418	8,451	140	2,309		413,037	2,309	415,346	(13,330)	399,707	2,309	402,016	
Mental Health																		
Mental Health contracts	J Newton	73,297	0	0	0	806	150	0	0		74,253	0	74,253	(420)	73,833	0	73,833	
Sheffield Health and Social Care NHS FT	J Newton	72,445	0	0	0	797	150	0	0		73,392	0	73,392	(420)	72,972	0	72,972	
Sheffield Health and Social Care NHS FT - BCF		440	0	0	0	5	0	0	0		445	0	445		445	0	445	
Sub Total Sheffield Health and Social Care NHS FT		72,885	0	0	0	802	150	0	0		73,836	0	73,836	(420)	73,416	0	73,416	
IFRs MH	K Clifford	152	0	0	0	2	0	0	0		153	0	153		153	0	153	
Other Mental Health	J Newton	412	0	0	0	5	0	0	0		417	0	417		417	0	417	
TOTAL Mental Health		73,448	0	0	0	808	150	0	0		74,406	0	74,406	(420)	73,986	0	73,986	
Community Services (including Support to Social Care)																		
Community Contracts	J Newton	61,609	0	0	0	658	100	0	0		62,367	0	62,367	(1,425)	60,942	0	60,942	
St Lukes Hospice	J Newton	2,296	0	0	0	0	0	0	0		2,296	0	2,296		2,296	0	2,296	
Voluntary Organisations	J Newton	832	0	0	0	0	0	0	0		832	0	832		832	0	832	
Local Authority																		
Section 256 - Grants	J Newton	836	0	0	0	(20)	0	0	0		816	0	816		816	0	816	
Section 75 BCF - People Keeping Well	J Newton	560	0	0	0	0	0	0	0		560	0	560		560	0	560	
Section 75 BCF - Active Support & Recovery	J Newton	2,032	(214)	0	0	0	0	0	0		2,032	0	2,032		2,032	0	2,032	
Section 75 BCF - Independent Living Solutions	J Newton	1,925	0	0	0	0	0	0	0		1,925	0	1,925		1,925	0	1,925	
Section 75 BCF - Ongoing Care	J Newton	2,650	0	0	0	0	0	0	0		2,650	0	2,650	(50)	2,600	0	2,600	
Section 75 BCF - Support to Social Services	J Newton	12,399	214	0	0	0	0	5,000	(5,000)		17,399	(5,000)	12,399		17,399	(5,000)	12,399	
Other Commissioning - £1.5m vacant community premises	J Newton	1,561	0	0	0	0	0	0	0		1,561	0	1,561	(100)	1,461	0	1,461	
Primary Care Development Nurses	K Clifford	463	0	0	0	10	0	0	0		474	0	474		474	0	474	
IFR Team	K Clifford	128	0	0	0	0	0	0	0		128	0	128		128	0	128	
TOTAL Community Services		87,291	0	0	0	648	100	5,000	(5,000)		93,040	(5,000)	88,040	(1,575)	91,465	(5,000)	86,465	
Primary Care																		
Core Contract	K Cleary	0	(1,919)	48,036	0	0	0	0	0		46,117	0	46,117	0	46,117	0	46,117	
Premises	K Cleary			10,563							10,563	0	10,563		10,563	0	10,563	
QoF	K Cleary			7,507							7,507	0	7,507		7,507	0	7,507	
Enhanced Services	K Cleary			3,169							3,169	0	3,169		3,169	0	3,169	
Locally Commissioned Services	K Cleary	4,562	4,469		0	0	0	0	0		9,031	0	9,031	(50)	8,981	0	8,981	

	Proposed Budget Holder	2016/17								2016/17 Forecast Spend before QIPP			GROSS QIPP	2016/17 Forecast Spend AFTER QIPP		
		Budget brought forward from 2015/16 £'000	Virement £000	Recurrent Adjs to RRL £000	Non Rec Adjs to RRL £000	Price Change Net of Inflation & Tariff Efficiency £000	Demand Led Activity * £000	New Investment		Rec £000	NonRec £000	Total £000	£000	Rec £000	NonRec £000	TOTAL £000
								Rec £000	NonRec £000	Rec £000	NonRec £000	£000	£000	Rec £000	NonRec £000	£000
GPIT	I Griffiths						1,503	(535)	1,503	(535)	968		1,503	(535)	968	
Other	K Cleary			2,104					2,104	0	2,104		2,104	0	2,104	
Uncommitted reserve	J Newton			2,247					2,247	0	2,247		2,247	0	2,247	
0.5% contingency	J Newton			374					374	0	374		374	0	374	
1% non-recurrent expenditure (recurrent reserve)	J Newton			747					747	0	747		747	0	747	
TOTAL Primary Care		4,562	2,550	74,747	0	0	0	1,503	(535)	83,362	(535)	82,827	(50)	83,312	(535)	82,777
Continuing Healthcare																
Continuing Care - childrens	K Clifford	2,439	0	0	0	0	550	0	2,989	0	2,989	(200)	2,789	0	2,789	
Continuing Care - adult	K Clifford	43,777	0	0	0	2,000	650	0	46,427	0	46,427	(1,500)	44,927	0	44,927	
Funded nursing care	K Clifford	6,162	0	0	0	0	150	0	6,312	0	6,312	0	6,312	0	6,312	
Continuing Healthcare Assessments	K Clifford	2,411	0	0	0	54	0	0	2,465	0	2,465	0	2,465	0	2,465	
TOTAL CHC and FNC		54,789	0	0	0	2,054	1,350	0	58,194	0	58,194	(1,700)	56,494	0	56,494	
Prescribing																
GP Prescribin 9	K Clifford	96,373	0	0	0	0	3,561	0	99,934	0	99,934	(2,417)	97,517	0	97,517	
Medicines Management Team	K Clifford	1,230	0	0	0	28	0	470	1,727	0	1,727	0	1,727	0	1,727	
TOTAL Prescribing		97,603	0	0	0	28	3,561	470	101,662	0	101,662	(2,417)	99,245	0	99,245	
Reserves																
Commissioning Reserves	J Newton	741	0	0	0	0	0	2,401	(1,300)	3,142	(1,300)	1,842	3,142	(1,300)	1,842	
General Contingency Reserve	J Newton	2,857	0	0	0	0	0	864	0	3,721	0	3,721	3,721	0	3,721	
System Resilience	J Newton	3,313	(2,880)	0	0	0	0	0	433	0	433	0	433	0	433	
1% Non recurrent reserve	J Newton	7,077	0	0	0	0	0	290	(5,228)	7,367	(5,228)	2,139	7,367	(5,228)	2,139	
Additional 1% Non recurrent reserve (uncommitted)	J Newton								7,367	0	7,367	0	0	7,367	0	
Programme Expenditure		729,380	0	74,747	0	9,956	13,612	10,668	(2,387)	838,362	(2,387)	835,976	(19,492)	818,871	(2,387)	816,484
Running Costs																
Expenditure																
Governing Body & Executive Team	M Ruff	2,896	(840)	0	0	65	0	0	2,122	0	2,122	0	2,122	0	2,122	
Finance, Contracting & Procurement	J Newton	1,916	215	0	0	43	0	0	2,174	0	2,174	0	2,174	0	2,174	
Delivery	T Furness	3,807	(221)	0	0	44	0	0	3,630	0	3,630	0	3,630	0	3,630	
Health Reform & Transformation	I Griffiths	165	1,212	0	0	4	0	0	1,380	0	1,380	0	1,380	0	1,380	
Clinical Quality & Clinical Services	K Clifford	2,532	(366)	0	0	57	0	0	2,222	0	2,222	0	2,222	0	2,222	
Primary Care Development	K Cleary	0	0	0	0	0	0	91	91	0	91	0	91	0	91	
Running Costs Reserve	J Newton	1,311	0	27	0	(213)	0	(91)	1,034	(1,000)	34	0	1,034	(1,000)	34	
Running Costs expenditure		12,627	0	27	0	0	0	0	(1,000)	12,654	(1,000)	11,654	0	12,654	(1,000)	11,654
Total Expenditure		742,007	0	74,774	0	9,956	13,612	10,668	(3,387)	851,016	(3,387)	847,630	(19,492)	831,524	(3,387)	828,137
Planned Surplus														(7,336)	10,837	3,500