Working with you to make Sheffield HEALTHIER

NHS Sheffield Clinical Commissioning Group

Financial Plan and Initial Budgets for 2018/19

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Governing Body meeting

1 March 2018

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Purpose of Paper

The purpose of this paper is to update Governing Body on the CCG's Financial Plan for 2018/19 in the context of the national planning guidance and revised CCG allocations published by NHS England (NHSE) on 2 February 2018. Both were ratified by NHSE's Board on 8 February 2018.

Governing Body is being asked to approve the key assumptions which underpin this plan so that it can be submitted to NHSE on 8 March 2018 and to approve the detailed initial budgets for 2018/19 which flow out of the plan.

Key Issues

- The national information published on 2 February provides key information on additional resource allocations as well as changes to the business rules for CCGs. The national planning guidance also provided an update on the operational plan requirements for CCG. These and any implications for the CCG's commissioning intentions for 2018/19 are covered in a separate paper to Governing Body. This paper focuses on the financial implications of the plans.

- The additional funding and change to business rules announced on 2 February is very welcome, but still leaves the CCG with a significant efficiency challenge for 2018/19 as set out in the paper.

- All CCGs are required to submit draft financial plans to NHS England by 8th March, with final plans approved by the Governing Body before submission on 30th April.

- The CCG's Prime Financial Policies require that prior to the start of the Financial Year the Director of Finance will, on behalf of the Accountable Officer, prepare and submit commissioning and infrastructure (running cost) budgets for approval by the Governing Body.

Is your report for Approval / Consideration / Noting

Approval

Recommendations / Action Required by Governing Body

The Governing Body is asked to approve:

1. The Key assumptions used to complete the draft financial plan for submission to NHSE on 8 March 2018, noting that an update on any material changes required for the final plan submission on 30 April 2018 will be discussed with Governing Body members at the private development session on 5 April 2018.

2. The initial 2018/19 budgets and budget holders as set out in Annex B

Governing Body is also asked to note and consider the key risks and issues to the delivery of the overall financial plan for 2018/19.

Governing Body Assurance Framework

Which of the CCG's objectives does this paper support?

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.

Are there any Resource Implications (including Financial, Staffing etc)?

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.

Have you carried out an Equality Impact Assessment and is it attached?

Please attach if completed. Please explain if not, why not

Not applicable

Have you involved patients, carers and the public in the preparation of the report?

Not applicable

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1. Purpose of Paper and Introduction

NHS England and NHS Improvement published the NHS planning guidance for 2018/19 on 2nd February 2018. This noted that the NHS already has two year baseline local funding allocations, two year service priorities, a two year national tariff, and two year commissioner-provider contracts, all in place and effective for 2018/19. So in updating planning for next year, rather than 'starting from scratch', the task for CCGs and providers is now to make quick and modest updates to local operating plans and contracts for the year ahead.

The purpose of this paper, therefore, is to provide:

- An update on the implications of the planning guidance and the updated allocations on the CCG's financial plan for 2018/19;
- the draft initial budgets for 2018/19 attached at **Annex B** for approval.
- a summary of main assumptions used to develop the plan for 2018/19 as set out in **Annex A**
- the key issues and risks which require further work and consideration.

The CCG is required to submit a draft financial plan to NHSE by 8th March and a final plan by 30th April. In addition Integrated Care Systems (the new term for the ACS) are required to co-ordinate the completion of a STP Contract and Plan Alignment template to demonstrate that updated plans and contracts are aligned financially between key commissioners and providers. A draft is required to be submitted by 8th March. This will be a challenge as the deadline for contract agreement is 23rd March and we are likely to remain in negotiation with our key providers up to this deadline.

2. Financial Implications of the 2018/19 planning guidance

The key changes to the planning guidance are included in the separate report presented by the Director of Commissioning and Performance to this meeting. The key implications for the Sheffield CCG financial plan are summarised below:

- £600m added to CCG allocations on a capitation basis: Sheffield CCG has received an additional £5,867k (see section 3 below);
- £370m released by lifting the requirement for all CCGs to contribute 0.5% of their allocation to a national risk pool. For Sheffield CCG this means that we will <u>not</u> be required to hold a risk reserve of £3,876k and can deploy to meet our cost pressures;

- All CCGs have received separate confirmation of their 2018/19 control total. For Sheffield CCG, NHSE has confirmed an 'in-year breakeven' target and hence we will not be required to increase our historic surplus by a further £2.5m as previously expected.
- £400m allocated to establish a 'Commissioner Sustainability Fund' (CSF); only CCGs with an NHSE approved deficit plan will be able to access this fund to effectively non recurrently bridge their position from a deficit control total to breakeven. NHS Sheffield CCG will not therefore be eligible for any share of the CSF.

Thus, in summary, the change in allocations and business rules for 2018/19 provide an additional £11.5m of resources into the CCG and substantially help to move the CCG from the £28m financial gap presented to the Governing Body in January (before QIPP) to £16.5m, subject to on-going discussions on cost pressures. This is discussed in more detail in section 5 below.

3. CCG Allocations

Initial 2018/19 CCG allocations were published on 8 January 2016. The announcement on the 2 February 2018 confirmed a number of changes to allocations actioned during 2017/18 as well as the additional funding announced. A breakdown of the revised programme allocation is shown below:

Programme Allocation **Allocation Announced Jan 2016**	**2018-19** **£'000**	**%**
2018/19 Opening Allocation	748,941	
Sheffield CCG Cash Uplift	**12,911**	**1.70%**
2018/19 Published Allocation	**761,852**	
Allocation adjustments announced Feb 2018		
HRG4+ & IR changes - made recurrent	(2,542)	
Premises Market Rents deduction - made Recurrent	(580)	
17/18 In year Recurrent allocations	174	
18/19 Opening Position - Adjusted published allocation	**758,904**	
Additional growth	**5,867**	**0.77%**
Extended access allocation not incorporated into baseline	3,496	
18/19 Opening Position - Final published allocation	**768,267**	
Closing Distance from Target (Previously 5.3%)	**5.4%**	

Governing Body members will note that the CCG is slightly further above our target allocation after the additional funding notified (up from 5.3% to 5.4%). This position will mean that the CCG is likely to receive a lower cash uplift than the national average in future years.

No changes have been announced to the CCG's Primary Care co-commissioning allocation or to the Running Cost Allowance. These remain as previously announced as per the tables below:

Primary Care (ie Delegated Co-commissioning)	2018-19 £'000	%
2018/19 Opening Allocation	76,122	
Sheffield CCG Cash Uplift	**1,469**	**1.9%**
2017/18 recurrent allocations – not included in Opening Allocation	136	
2018/19 Published Allocation	**77,727**	

Running Cost Allocation	2018-19 £'000
2018/19 Opening Allocation	12,634
Sheffield CCG Cash Uplift	-22
2018/19 Published Allocation	**12,612**

4. CCG Revised Control Totals and Business Rules for 2018/19

Business Rules

A summary of the revised NHS England business rules for CCGs is summarised below, alongside the proposed Sheffield CCG position achieved in the draft financial plan.

CCG Financial Business Rules 2018/19	Sheffield CCG Position 2018/19
CCGs should have a minimum 1% cumulative surplus at the end of each financial year	The cumulative surplus (excluding national risk share contribution) at the end of 2017/18 is 0.8% of the relevant resource limit (see below) NHS England have confirmed an in year breakeven control total. **By not expecting us to increase the surplus to 1% we will not be compliant with this business rule.**
~~CCGs should set aside 1% of their allocation for non-recurrent use. 0.5% to be uncommitted and held as risk reserve to support the STP position; and 0.5% immediately available for CCGs to spend non recurrently, to support transformation and change implied by STPs;~~	**No longer applicable** However, due to a range of non recurrent pressures in 2018/19 CCG will continue to hold the 0.5% reserve for such pressures.
CCGs should hold a 0.5% uncommitted general contingency at the start of the year to manage their in-year pressures and risks;	The financial plan includes a 0.5% contingency at the start of the financial year.
CCGs have to plan for in-year breakeven adjusted for draw up/ (draw down)	The financial plan is based on an in-year breakeven position.
Mental Health Investment Guarantee	The financial plan demonstrates compliance with the mental health investment guarantee (see Annex A).

Control totals and Historic Surplus

Revised control totals for 2018/19 were issued, on an individual CCG basis, by NHSE on 5 February 2018. These moved away from the overall South Yorkshire and Bassetlaw CCG control total previously advised.

For Sheffield CCG, it was confirmed that we would not be required to increase our historic surplus, but would be expected to maintain the forecast surplus as at the end of March 2018 (which is expected to increase from the planned £5.1m surplus to £6.2m surplus as a result of the additional Cat M benefit in 2017/18 which is now expected to be retained by the CCG). This is summarised in the table below. However, we are aware that our partner CCGs in South Yorkshire and Bassetlaw have had their expected surplus draw down (i.e. utilisation of historic surpluses in excess of 1%) reduced.

	£'000	
Planned Surplus 2017/18	-5,079	
Cat M benefit 2017/18	-1,072	
Cumulative Historic Surplus	**-6,151**	**-0.8%**
Gap from 1% surplus	1,661	
Additional surplus: as a result of input to national risk reserve		
16/17 1%	-8,124	
17/18 0.5% - expected	-4,128	
Planned Cumulative Surplus	-18,403	

Thus if we deliver the 2017/18 plan and the 2018/19 plan as set out in this paper we would expect to have a cumulative surplus of £18.4m by 31 march 2018. Access to the 1.5% or £12.2m which is a contribution to the national risk pool arrangements is dependent on NHSE being in a position to change the business rules from April 2019 onwards.

South Yorkshire and Bassetlaw Integrated Care System (ICS)

As part of the ICS arrangements we are being encouraged to work with both our other CCG and NHS Trust partners to have a single control total. Discussions are ongoing on how this might operate in practice and whether we would be prepared to risk share on control total delivery between organisations but at this stage, our CCG plan assumes that delivery of our plan is solely our responsibility and at the same time we have NO requirement to contribute to an ICS financial risk pool. Achievement of some of the Sustainability Funding for NHS Trusts is linked to overall delivery of the single control total and this remains the subject of discussion with NHSI/NHSE de to some of the individual control totals that have been set.

5. CCG's Financial Plan for 2018/19

Table 1 below summarises the key changes from the plan summary presented to Governing Body in January 2018. The net impact of an increase in the allocations available for use by £11.5m, the benefit related to prescribing costs we have been told to plan for and the increase in certain new and underlying pressures has reduced the financial gap from £28m to £16.5m. The assumptions used to determine the underlying

and new price and activity cost pressures are discussed in section 6 below and also in more detail in Annex A.

Table 1: Key Changes to Plan from January 2018

	Recurrent	Non Recurrent	Total
	£m	£m	£m
Cash Uplift per previous NHSE information	-12.9		-12.9
Recurrent Pressures from 2017/18	13.2		13.2
New Recurrent Pressures*	22.6		22.6
Non Recurrent Pressures		5.1	5.1
Financial GAP presented to Jan GB (before QIPP)	**22.9**	**5.1**	**28.0**
Changes to planning assumptions since 12 January 2018			
Sundry changes to reflect revised 2017/18 out-turn	0.3	0.1	0.4
Re-assessment of prescribing costs (cat M/NCSO)	-1.9		-1.9
Re-assessment of 2018/19 pressures/investment requirements	1.7		1.7
Allocation Changes from Planning Guidance			
Premises market rent allocation adjustment made recurrent	0.6		0.6
Additional allocation	-5.9		-5.9
Release of 0.5% held for national risk reserve	-3.9		-3.9
Control total changed to in-year breakeven			
- NHSE returning Cat M "topslice"		-1.1	-1.1
- Remaining adjustment		-1.4	-1.4
Remaining GAP = QIPP requirement	**13.8**	**2.7**	**16.5**

* pressures include tariff inflation, acute activity, high cost drugs, ambulance/111, CHC increases incl. transforming care, prescribing growth, mental health investment

Governing Body members will recall that they approved a target QIPP plan of £15m in January 2018. This gives a residual gap of £1.5m in terms of needing to put together a financial plan to deliver a breakeven position. While there is still work to finalise contracts and re-assess certain other cost pressures, it would seem likely that this gap will not be closed other than by a combination of increasing QIPP and/or securing in year transformation funding. **At draft plan stage is proposed that "the £1.5m gap" is included in the plan as unidentified QIPP and we increase the QIPP target to £16.5m. (Actually £16.65m once we include additional running cost savings.)**

Progress on QIPP Plan

The Governing Body agreed in January that the CCG would target a QIPP plan with a value of £15m. A breakdown of the current QIPP plan set against the relevant recurrent budgets is summarised in table 2 below. It is important to stress that a number of the values remain indicative as the detailed proposals continue to be "worked up" and

discussed with providers as relevant. It is highly likely that we will not secure full agreement to the schemes as part of the contract negotiations by 23 March 2018 and so a substantial element of the £15m will not be included in the initial contract values and will need to be shown as identified schemes at CCG risk within our financial plan submission.

Table 2: Summary of 2018/19 Opening Recurrent Budgets and QIPP

	Opening Budget	Current QIPP Proposals	QIPP as % of Budget
Area of Spend	Note 1		
	£'000	£'000	%
STH - Elective Care	94,501	2,826	3.0%
STH - Urgent Care including A&E	128,473	4,200	3.3%
STH - Excess Bed Days	5,593	750	13.4%
STH - Maternity, Direct Access, Critical Care & other acute	59,452		
STH - High Cost drugs (outside of MSK)	14,642	521	3.6%
STH - MSK contract	45,281	328	0.7%
STH - community and intermediate care services	53,911	1,350	2.5%
Other Hospital Providers - Acute Care (mainly elective)	19,327		
Childrens Services incl. CAMHs, community & CHC	37,646	400	1.1%
Ambulance Services	23,669		
Acute Mental Health & LD services - mainly SHSC	76,531	1,800	2.4%
Other Community services including through voluntary sector	5,035		
Adult Continuing Care and FNC	50,806	1,400	2.8%
Transfer to Local Authority incl historic iBCF	23,170	-1,350	-5.8%
Primary Care (co-commissioned and locally commissioned)	89,059	24	0.0%
GP Prescribing	94,465	2,600	2.8%
Commissioning Reserves + 0.5% NR reserve	6,342		
In house teams/collaborative working/Other Commissioning	7,639		
Running Costs Allowance	12,612	300	2.4%
Unidentified QIPP		**1,500**	
TOTAL	**848,154**	**16,650**	
Allocation	**839,828**		
Recurrent overspend b/f after allocation & risk reserve changes	**8,326**		

Note 1: These are the opening budgets prior to any increase for activity and price pressures in 2018/19

The CCG's integrated QIPP working group which includes GP and Lay members will be presented with a detailed update on progress at both the February and March 2018 meetings and a further update on progress against the plan will be included in the next report to Governing Body on the financial plan.

6. Key Assumptions

Annex A outlines the key planning assumptions used to put together the financial plan, alongside the revised business rules with the national guidance as discussed in section 4 above. Table 3 below provides as summary of the national requirements and how we have responded to them.

Table 3: National Planning expectations and local position

Spending Area	National Expectation	Funded with the Plan
STH - Elective Care	Outpatients 4.9% growth Inpatients 3.6% growth	Outpatient -0.2% incl MSK Inpatient +0.1% incl MSK ***Figures still subject to validation***
STH - Urgent Care including A&E	Non-elective 2.3% growth A&E 1% growth	Non Elective +3.3% A&E -0.1% ***Figures still subject to validation***
STH - Excess Bed Days	Reduction in DTOCs	Part of QIPP savings
STH - Maternity, Direct Access, Critical Care & other acute	Not specified	Demographic growth and activity pressures
STH - High Cost drugs	Not specified	Growth in high cost drugs
Childrens Services incl. CAMHs, community & CHC	Outpatients 4.9% growth Inpatients 3.6% growth Non-elective 2.3% growth A&E 1% growth	Outpatients 7% growth Inpatients 9% growth Non-elective 0.8% growth A&E 2.4% growth ***Figures still subject to validation***
Ambulance Services	Ensure new ambulance response time standards met by Sept 2018	Plan includes Sheffield share of current contract offer to YAS
Acute Mental Health & LD services - mainly SHSC	- Meet the Mental health investment standard - fund expansion of services to deliver the 5 Year Forward View - Implement Transforming Care agenda	Mental Health Investment Standard met – see Annex A Investments in priorities in line with 5 year forward view Know cost pressures from Transforming Care discharges in to community (within CHC costs)
Community Services incl. voluntary sector	Access to enhanced 111 service with >50% callers receiving clinical input	111 service – expected pressure resulting from increased clinical input
Intermediate Care Services	Not specified	Looking at QIPP proposal
Adult Continuing Care and FNC	Expectation that pressures be addressed by QIPP	7% growth in patient numbers for CHC, 0% for FNC – both based on current growth levels Standard CHC rates increased in line with SCC Know cost pressures from Transforming Care discharges in to community
Transfer to Local Authority incl historic iBCF	No change	Non recurrent additional funding linked to agreed profiling of spend re iBCF

Primary Care (co-commissioned and locally commissioned)	Progress against the 5 Year Forward View including Extended access, Balance of £3 per head transformation support, Primary care networks	FYFV investment including networks £3 per head transformation support
GP Prescribing	NCSO pressure returns to "normal levels"; part year residual benefit from Cat M prices Activity/other price pressures addressed through QIPP or allocation	Assumed 1.8% increase in volume per 17/18; Using 17/18 price per item adjusted for NSCO and Cat M issues QIPP
Reserves Required by NHS England	Nil	Nil
Running Costs Allowance	Include an accurate reflection of the cost of current published pay assumptions	1% increase in the pay budget

Table 4 below summarises the recurrent cost pressures and investments currently included in the plan prior to the application of QIPP requirements. The Mental Health investments are all linked to MH FYFV.

Table 4: Recurrent Cost Pressures & Investments in the Financial Plan

Spending Area	**Price Pressures £000**	**Activity Pressures £000**	**Recurrent Investment £000**
STH - Elective Care	569	966	0
STH - Urgent Care including A&E	1,177	1,312	0
STH - Maternity, Direct Access, Critical Care & other acute	61	839	0
STH - High Cost drugs (outside of MSK)	13	687	0
STH - MSK contract including High Cost drugs	264	696	0
Other Hospital Providers - Acute Care	116	200	0
Children's Services incl. CAMHs, community & CHC	178	500	0
Ambulance Services	24	600	0
Acute Mental Health & LD services - mainly SHSC	76	0	2,600
Adult Community Services incl. voluntary sector	136	100	0
Adult Intermediate Care Services	54	0	0
Adult Continuing Care and FNC	2,410	1,586	0
GP Prescribing	In activity	3,314	0
Other	22	1,145	
Reinstate 0.5% Contingency Reserve			3,860
QIPP investment reserve			820
TOTAL	**5,100**	**11,945**	**7,280**

Non Recurrent Investment

In addition the plan sets aside £6.6m for non recurrent spend from within our main CCG programme allocation. The plan is to fund this from the 0.5% reserve we have traditionally been required to keep for non recurrent spend and by identifying an additional £2.8m from our allocations. The funding is needed at this level broadly as follows:

a) £3.1m for primary care This is to enable to the CCG to meet its previously agreed commitments – being the balance of the £3 per head to be spent on transformation over 2 years 2017/19 – c£1.5m, the re-provision of the £1 per head network funding which was re-profiled into 2018/19 and also to meet likely spend against the Prescribing Quality Incentive Scheme (subject to final out-turn on prescribing spend in 17/18) and other FYFV areas.

b) £2.5m for iBCF This relates to our likely local contribution into the iBCF arrangements and the profiling agreed with SCC over a 3 year period 2017-20.

c) £1.3m for Sheffield ACP, commissioner working together and ICS commitments This reflects the profile of our contributions over a 2 to 3 year period

9. Key Risks

There are a wide range of risks and uncertainties which will need to be managed during 2018/19. The CCG Governing Body will receive an update each month on risks and the management of these and will be asked to consider and approve recovery actions if delivery of the financial plan goes "off track" in year. The key issues include:

a) Pay awards in excess of current assumption of 1%. Pay negotiations for staff covered by pay review bodies and Agenda for Change are ongoing. The planning guidance asks organisations to utilise published pay assumptions i.e. a 1% overall increase in pay in plan submissions. The Government made a commitment to fund increases in NHS pay in the 2017 Autumn Budget. However, it is important to note that this commitment related specifically to the workforce covered by Agenda for Change, and so there is a risk that if for example Doctors and Dentists final pay settlement is in excess of 1%, this cost pressure will not be funded. We await further guidance in due course.

b) Agreement of provider contracts The deadline confirmed by NHS England and NHS Improvement for the agreement of contracts is 23rd March. Contract negotiations are on-going with all the main city providers. There are a range of issues still being discussed including elective and urgent activity plans, winter resilience, specific cost pressure issues with each trust, impact of any incentive/risk share arrangements in relation to urgent care with STH and mental health with both SHSC and SCC and with YAS in terms of the revised standards. All of these have the potential to create additional cost pressures.

c) QIPP There is still substantial work to ensure robust schemes for the full £16.6m. At least a third (c£6m) of the QIPP target has to be considered as RAG rated red – ie high risk of non delivery at this stage in the process. This includes the £1.5m unidentified. As noted above work continues through all the portfolios and with our providers on the QIPP schemes.

d) Impact of Integrated Care System During 2018/19 we anticipate that the CCG will consider the outcome and implications of the current hospital services review and other areas where we should potentially move to joint strategic commissioning decisions. At this stage it feels unlikely that these will impact in 2018/19 but we may have risks and issues to manage in year. At the same time the ICS is likely to operate in shadow form in relation to a single financial control total but this may see us look at different risk and incentive sharing arrangements in year.

e) Prescribing This large budget is always subject to a range of pressures and issues which are outside of the CCG's direct control and which make it difficult to manage. These are discussed in more detail in Annex A.

In additional to the issues described above an important part of our plan submission 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. Other risks to be included:

- Implications of the 'Transforming Care' programme for people with Learning Disabilities.
- Any additional detained/high cost mental health patients.
- Primary care core contract uplifts will be affordable within 1% contingency reserves
- In- year activity variations exceed the planned level of activity.

In terms of mitigations, the first mitigation will be the deployment of contingency reserves. (We start the year with the mandatory 0.5% reserve £3.8m). We will also seek to maximise additional in year income such as FYFV income for primary care and mental health and transformation income through the ICS arrangements. We should also receive some Quality Premium income depending on how we are finally judged to have met the relevant national requirements in 2017/18.

10. Initial Budgets

Annex B sets out the initial budgets for 2018/19 which flow out of the financial plan and assumptions discussed above and in *Annex A*. The budgets have been assigned to individual directors, and the Governing Body is asked to approve these opening budgets and the distribution to individual directors to enable expenditure to be committed and payments to be made. These will be the budgets to be uploaded into the CCG's general ledger at the start of the year, subject to any changes approved by Governing Body in April 2018.

11. Key Next Steps

Next steps broadly fall into 3 categories:

A) Submission of Final Plan for 2018/19 by 30 April 2018

The next step after the submission of the draft plans to NHSE will be to consider any feedback from NHSE, the impact of the ongoing work on QIPP plans and the contract negotiations due to be complete by 23 March 2018. If required, revisions will be made for the final plan which has to be submitted to NHSE by 30 April 2018. The intention is that any material changes which need to be made will be known by the next Governing Body

meeting on 5 April 2018 and so can be discussed with Governing Body at our private development session.

B) Scenario Planning

Further "stress testing" of risks and identifying of contingency or mitigating actions will be required in Q1 as well as ensuring we are implementing our QIPP schemes on a timely basis.

C) Looking ahead to 2019/20

Further work is required to review the impact of the revised planning assumptions on the financial plan for 2019/20. It is suggested that a first full look at the implications for 2019/10 is considered by Governing Body in July 2018.

Action for Governing Body / Recommendations

The Governing Body is asked to approve:

1. The Key assumptions used to complete the draft financial plan for submission to NHSE on 8 March 2018, noting that an update on any material changes required for the final plan submission on 30 April 2018 will be discussed with Governing Body members at the private development session on 5 April 2018.

2. The initial 2018/19 budgets and budget holders as set out in Annex B

Governing Body is also asked to note and consider the key risks and issues to the delivery of the overall financial plan for 2018/19.

Paper prepared by: Diane Mason
On behalf of: Julia Newton, Director of Finance
Date: February 2018

Financial Plan 2018/19 – Key Assumptions

a) Recurrent budget brought forward from 2017/18 (adjusted for recurrent out-turn)

The starting point for all budgets is the recurrent budget brought forward from 2017/18. Each budget is then assessed for any recurrent pressure or saving which needs to be added or can appropriately be removed prior to further uplifts in 18/19.

This has created significant budget pressures, which have arisen for several reasons including non-delivery of QIPP and increased recurrent activity pressures beyond the level that was budgeted for in 2017/18. The impact after releasing 2017/18 general contingency reserves and the 0.5% previously held for contributing to the national risk reserve is a net pressure of £8.3m.

b) Inflation Uplift and Tariff Efficiency

The two-year National Tariff Payment System which came into effect from 1 April 2017 remains in place for 2018/19 and the plan includes uplifts on budgets for inflation, CNST (Clinical Negligence Scheme for Trusts) and a deflator for the efficiency requirement where applicable. These are set at a level agreed nationally and the contracts to which they have been applied and the % adjustments are shown in the table below. For most contracts and grants outside of the national tariff arrangement it is proposed that we leave these at cash standstill. We have a range of inflationary and other cost pressure issues within the continuing care budget for 2018/19. We are seeking to maintain parity with Sheffield City Council increase in residential care rates, ensuring standard CHC rates continue to match residential care plus the funded nursing care – this creates a cost pressure of c£1.7m and then there are other specific pressures to be managed.

Contracts	Inflation	CNST	Efficiency deflator	Net uplift %	Net Uplift £m
Acute	2.1%	0.5%	(2.0%)	0.6%	2.4
Mental Health	2.1%	N/A	(2.0%)	0.1%	0.1
Community Services	2.1%	N/A	(2.0%)	0.1%	0.2
Voluntary Sector and SCC grants	Nil	N/A	Nil	Nil	Nil
Continuing Care	4.3%	N/A	Nil	4.3%	2.4
Total					**5.1**

Separately we will be presenting primary care budgets to Primary Care Commissioning Committee later in March. As per national guidance, at the moment the core contract budgets allow for a 1% pay settlement. Locally Commissioned Services have cash standstill budgets. There is a c£0.7m reserve which can be used for inflationary pressures but we need to understand the outcome of the DDRB settlement before any further decisions can be taken.

c) CQUIN

As per previous years all NHS standard contracts incorporate a 2.5% quality payment which for NHS trusts have both national and local requirements. As per previous years we budget for 100% achievement of CQUIN by all of our providers. There is usually some limited in year non achievement and these resources are played into managing the position in year.

d) Mental Health

The CCG is required to increase Mental Health spend (not including Learning Disability or Dementia services) by a minimum of the programme spend allocation uplift of 2.1%. The planned spend for 2018/19 results in an increase of 4%, the table below shows the material changes in planned spend for 2018/19 against 2017/18 forecast spend.

Increase in Mental Health spend from 2017/18 to 2018/19 plan	**£m**
Core Mental Health services	
Mental Health Services Investments	3.7
Individual Funding Requests Increase	0.4
Mental Health QIPP	-1.3
Other Non-Recurrent changes or Growth	0.2
Core Sub Total	3.0
Other Mental Health spend	
CHC Growth	0.7
CHC QIPP	-0.6
Mental Health QIPP	-1.0
Mental Health QIPP SCC Rebate	2.1
Other Sub Total	1.2

Total	**4.2**
% Growth	**4.0%**

The Mental Health services investments are to enable achievement of the Mental Health five year forward view standards. Recurrent funding has been allocated to Mental Health liaison services to enable 24/7 coverage within Sheffield Teaching Hospitals; IAPT which is expanding into support physical health pathways and people with long term conditions; Early Intervention in Psychosis to ensure achievement of delivery of the referral to treatment waiting standards; and Psychiatric Decision unit (PDU) which will be set up to act as an A&E for Mental Health. There is QIPP that will affect Mental Health spend but as shown in the table there will still be a net increase to Mental Health spend of £4.2m, the majority of which is within Core Mental Health services.

e) Prescribing

The Prescribing budget for 18/19 has been calculated based on the average price in 2017/18 and growth in items prescribed from the calendar year of 2017. Additional funding has also been provided for 2 additional prescribing days in 2018/19 compared to the current financial year. All these changes equate to cost pressure funding of £3.3m before QIPP is applied.

There is still uncertainty in the costs for next year as negotiations are still ongoing nationally with the Pharmaceutical Services regarding prices of certain drugs (Category M). Planning Guidance also stated the cost pressure for No Cheaper Stock Obtainable should reduce to historic levels. This should give a net benefit to the CCG of c£3m. However it is unclear how this will affect general prices of drugs

and there the overall average price the CCG has to pay. If we were to take the full £3m benefit this would put the average price per item at the lowest level for a number of years. As a result, of this and the uncertainty around what will happen to the pricing of Category M drugs from August 2018 when the current rebate arrangements cease, we have taken a net £1.9m benefit into the underlying position as shown in table 1 in section 3 of the main paper.

f) Reinstatement of mandatory 0.5% contingency reserve

The contingency reserve was deployed recurrently in 2017/18 to offset pressures elsewhere in the system. CCGs are required to set aside 0.5% of their budget at the beginning of each year in anticipation of further emerging pressures in-year. This means we have to set aside a reserve of £3.8m.

g) Running Cost Allowance

The CCG is planning to underspend the Running Cost Allowance (RCA) by £300k as part of our QIPP plans. This leaves a reserve of less than £50k to manage in year pressures and so the budget must be tightly managed as NHSE rules state that the overall RCA budget cannot be exceeded. It is likely to mean some control of vacancies in year.

Sheffield CCG
Initial Revenue Budgets for 2018/19

ANNEX B

	Proposed Budget Holder	Recurrent Budget brought forward from 2017/18 £'000	Recurrent Adjs to RRL £000	Non-Rec Adjs to RRL £000	Price: Net impact of Inflation & Tariff Efficiency £000	Demand Led Activity £000	New Investment Rec £000	New Investment NonRec £000	2018/19 Forecast Spend before QIPP Rec £000	2018/19 Forecast Spend before QIPP NonRec £000	2018/19 Forecast Spend before QIPP Total £000	GROSS QIPP Planned distribution £000	2018/19 Forecast Spend AFTER QIPP Rec £000	2018/19 Forecast Spend AFTER QIPP NonRec £000	2018/19 Forecast Spend AFTER QIPP TOTAL £000	% Change in Recurrent Budget Rec %
ALLOCATIONS																
Programme (Commissioning) Allocation		752,611	0	0	0	0	0	0	752,611	0	752,611					
Cash Uplift including additional £5.9m		**0**	18,778	0	0	0	0	0	18,778	0	18,778					
Primary Care Delegated Co-commissioning allocation		77,727	0	0	0	0	0	0	77,727	0	77,727					
Expected prior year surplus		0	0	5,079	0	0	0	0	0	5,079	5,079					
Prior years 1.5% contribution to national risk reserve		0	0	12,252	0	0	0	0	0	12,252	12,252					
Expected return of Category M prescribing benefit from 17/18		0	0	1,072	0	0	0	0	0	1,072	1,072					
HRG4, IR & Market Rents allocation changes made recurrent		(3,122)	0	0	0	0	0	0	(3,122)	0	(3,122)					
Running Cost Allocation		12,612	0	0	0	0	0	0	12,612	0	12,612					
Allocations		**839,828**	**18,778**	**18,403**	**0**	**0**	**0**	**0**	**858,606**	**18,403**	**877,008**					
Programme Expenditure	**N.B. ALL BUDGETS ARE SHOWN NET OF INCOME AT THIS STAGE**															
Secondary Care																
Acute Elective and Urgent Care (incl urgent in BCF)	B Hughes	302,661		0	1,823	3,804	0	0	308,288	0	308,288	(8,297)	299,991	0	299,991	-0.9%
MSK contract	B Hughes	45,281		0	264	696	0	0	46,240	0	46,240	(328)	45,912	0	45,912	1.4%
Sheffield Teaching Hospitals		347,942	0	0	2,087	4,500	0	0	354,529	0	354,529	(8,626)	345,903	0	345,903	-0.6%
Sheffield Childrens	M Philbin	31,352		0	178	500	0	0	32,030	0	32,030	(313)	31,717	0	31,717	1.2%
Ambulance Services (All providers)	B Hughes	23,669		0	24	600	0	0	24,293	0	24,293	0	24,293	0	24,293	3.1%
Other NHS Trusts	B Hughes	11,332		0	68	200	0	0	11,599	0	11,599	0	11,599	0	11,599	2.4%
ISTC & Extended Choice	B Hughes	2,558		0	15	0	0	0	2,573	0	2,573	0	2,573	0	2,573	0.6%
IFRs	M Philbin	496		0	3	0	0	0	499	0	499	0	499	0	499	0.6%
NCAs	B Hughes	4,941		0	30	0	0	0	4,971	0	4,971	0	4,971	0	4,971	0.6%
TOTAL secondary care		**422,290**	**0**	**0**	**2,404**	**5,800**	**0**	**0**	**430,494**	**0**	**430,494**	**(8,939)**	**421,555**	**0**	**421,555**	**-0.2%**
Mental Health and Learning Disabilities																
Sheffield Health and Social Care NHS FT - LD	B Hughes	5,142	0	0	5	0	0	0	5,147	0	5,147	0	5,147	0	5,147	0.1%
Sheffield Health and Social Care NHS FT - MH	B Hughes	69,463	0	0	68	0	2,600	0	72,132	0	72,132	(1,800)	70,332	0	70,332	1.3%
Sheffield Health and Social Care	B Hughes	74,605	0	0	74	0	2,600	0	77,279	0	77,279	(1,800)	75,479	0	75,479	1.2%
IFRs MH	B Hughes	641	0	0	1	0	0	0	641	0	641	0	641	0	641	0.1%
Other Mental Health	B Hughes	1,285	0	0	1	0	0	0	1,286	0	1,286	0	1,286	0	1,286	0.1%
TOTAL Mental Health		**76,531**	**0**	**0**	**76**	**0**	**2,600**	**0**	**79,206**	**0**	**79,206**	**(1,800)**	**77,406**	**0**	**77,406**	**1.1%**
Community Services (including Support to Social Care)																
111	B Hughes	1,241	0	0	26	100	0	0	1,367	0	1,367	0	1,367	0	1,367	10.2%
Other Community	B Hughes	304	0	0	0	0	0	0	304	0	304	0	304	0	304	0.1%
STH Community outside of Active Support & Recovery	N Doherty	12,070	0	0	12	0	0	0	12,082	0	12,082	0	12,082	0	12,082	0.1%
STH Community in scope of Active Support & Recovery	N Doherty	41,841	0	0	42	0	0	0	41,883	0	41,883	(1,350)	40,533	0	40,533	-3.1%
Sheffield Childrens Community	M Philbin	3,579	0	0	4	0	0	0	3,582	0	3,582	(87)	3,495	0	3,495	-2.3%
St Lukes Hospice	B Hughes	2,570	0	0	0	0	0	0	2,570	0	2,570	0	2,570	0	2,570	0.0%
Voluntary Organisations	B Hughes	920	0	0	0	0	0	0	920	0	920	0	920	0	920	0.0%
Local Authority		0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Section 256 - Grants	J Newton	624	0	0	0	0	0	0	624	0	624	0	624	0	624	0.0%
Section 75 BCF - People Keeping Well	N Doherty	696	0	0	0	0	0	0	696	0	696	0	696	0	696	0.0%
Section 75 BCF - Active Support & Recovery	N Doherty	1,818	0	0	0	0	0	0	1,818	0	1,818	0	1,818	0	1,818	0.0%
Section 75 BCF - Independent Living Solutions	N Doherty	1,925	0	0	0	0	0	0	1,925	0	1,925	(150)	1,775	0	1,775	-7.8%
Section 75 BCF - Ongoing Care	M Philbin	495	0	0	0	0	0	0	495	0	495	0	495	0	495	0.0%
Section 75 BCF - Support to Social Services	J Newton	17,613	0	0	0	0	0	0	17,613	0	17,613	1,500	19,113	0	19,113	
Other Commissioning _ £1.8m vacant community premises	J Newton	3,062	0	0	100	0	0	0	3,162	0	3,162	0	3,162	0	3,162	3.3%
Primary Care Development Nurses	M Philbin	438	0	0	5	0	0	0	443	0	443	0	443	0	443	1.3%
IFR Team	M Philbin	62	0	0	1	0	0	0	63	0	63	0	63	0	63	1.3%
TOTAL Community Services		**89,258**	**0**	**0**	**190**	**100**	**0**	**0**	**89,548**	**0**	**89,548**	**(87)**	**89,461**	**0**	**89,461**	**0.2%**
Primary Care																

	Proposed Budget Holder	Recurrent Budget brought forward from 2017/18 £'000	Recurrent Adjs to RRL £000	Non-Rec Adjs to RRL £000	Price: Net impact of Inflation & Tariff Efficiency £000	Demand Led Activity £000	New Investment Rec £000	New Investment NonRec £000	2018/19 Forecast Spend before QIPP Rec £000	2018/19 Forecast Spend before QIPP NonRec £000	2018/19 Forecast Spend before QIPP Total £000	GROSS QIPP Planned distribution £000	2018/19 Forecast Spend AFTER QIPP Rec £000	2018/19 Forecast Spend AFTER QIPP NonRec £000	2018/19 Forecast Spend AFTER QIPP TOTAL £000	% Change in Recurrent Budget Rec %
Core Contract	N Doherty	50,828	0	0	0	0	0	0	50,828	0	50,828	0	50,828	0	50,828	0.0%
Premises	N Doherty	10,139	0	0	0	0	0	0	10,139	0	10,139	0	10,139	0	10,139	0.0%
QoF	N Doherty	7,634	0	0	0	0	0	0	7,634	0	7,634	0	7,634	0	7,634	0.0%
Direct Enhanced Services	N Doherty	1,731	0	0	0	0	0	0	1,731	0	1,731	0	1,731	0	1,731	0.0%
Other Delegated Budgets	N Doherty	2,498	0	0	0	0	0	0	2,498	0	2,498	0	2,498	0	2,498	0.0%
Locally Commissioned Services	N Doherty	10,384	0	0	0	0	0	0	10,384	0	10,384	(24)	10,360	0	10,360	-0.2%
GPIT	B Hughes	1,239	0	0	0	0	0	0	1,239	0	1,239	0	1,239	0	1,239	0.0%
GP Extended Access, FYFV transformation etc	N Doherty	3,496	0	0	0	0	0	3,078	3,496	3,078	6,574	0	3,496	3,078	6,574	0.0%
Reserve for 18/19 pressures eg inflation uplift	J Newton	740	0	0	0	0	0	0	740	0	740	0	740	0	740	0.0%
0.5% general contingency	J Newton	370	0	0	0	0	0	0	370	0	370	0	370	0	370	0.0%
TOTAL Primary Care		**89,059**	**0**	**0**	**0**	**0**	**0**	**3,078**	**89,059**	**3,078**	**92,137**	**(24)**	**89,035**	**3,078**	**92,113**	0.0%
Continuing Healthcare																
Continuing Care - childrens	M Philbin	2,715	0	0	91	116	0	0	2,922	0	2,922	0	2,922	0	2,922	7.6%
Continuing Care - adult	M Philbin	43,240	0	0	2,041	1,438	0	0	46,719	0	46,719	(1,400)	45,319	0	45,319	3.2%
Funded nursing care	M Philbin	7,566	0	0	227	32	0	0	7,825	0	7,825	0	7,825	0	7,825	3.4%
Continuing Healthcare Assessments	M Philbin	2,426	0	0	51	0	0	0	2,477	0	2,477	0	2,477	0	2,477	2.1%
TOTAL CHC and FNC		**55,947**	**0**	**0**	**2,410**	**1,586**	**0**	**0**	**59,943**	**0**	**59,943**	**(1,400)**	**58,543**	**0**	**58,543**	**3.4%**
Prescribing																
GP Prescribing	M Philbin	94,465	0	0	0	3,314	0	0	97,779	0	97,779	(2,600)	95,179	0	95,179	0.8%
Medicines Management Team	M Philbin	1,651	0	0	21	0	0	0	1,672	0	1,672	0	1,672	0	1,672	1.3%
TOTAL Prescribing		**96,116**	**0**	**0**	**21**	**3,314**	**0**	**0**	**99,451**	**0**	**99,451**	**(2,600)**	**96,851**	**0**	**96,851**	**0.8%**
Reserves																
Commissioning Reserves	J Newton	2,482	0	0	0	1,145	820	0	4,447	0	4,447	0	4,447	0	4,447	
0.5% General Contingency Reserve	J Newton	0	0	0	0	0	3,860	0	3,860	0	3,860	0	3,860	0	3,860	
0.5% Reserve for non recurrent investments	J Newton	3,860	0	0	0	0	0	(303)	3,860	(303)	3,557	0	3,860	(303)	3,557	
Unidentifed QIPP	J Newton	0	0	0	0	0	0	0	0	0	0	(1,500)	(1,500)	0	(1,500)	
Programme Expenditure		**835,543**	**0**	**0**	**5,100**	**11,945**	**7,280**	**2,775**	**859,868**	**2,775**	**862,643**	**(16,350)**	**843,519**	**2,775**	**846,294**	
									843,519							
Running Costs																
Accountable Officer	M Ruff	1,891	0	0	20	0	0	0	1,911	0	1,911	0	1,911	0	1,911	
Commissioning & Performance	B Hughes	3,019	0	0	24	0	0	0	3,043	0	3,043	0	3,043	0	3,043	
Finance & Facilities	J Newton	3,277	0	0	10	0	0	0	3,287	0	3,287	0	3,287	0	3,287	
Nursing,Quality & Workforce	M Philbin	3,026	0	0	32	0	0	0	3,058	0	3,058	0	3,058	0	3,058	
Transformation & Delivery	N Doherty	941	0	0	10	0	0	0	951	0	951	0	951	0	951	
		12,154	0	0	95	0	0	0	12,249	0	12,249	0	12,249	0	12,249	
Running Costs Reserve	J Newton	458	0	0	(95)	0	0	0	363	0	363	(300)	363	(300)	63	
Running Costs expenditure		**12,611**	**0**	**0**	**0**	**0**	**0**	**0**	**12,612**	**0**	**12,612**	**(300)**	**12,612**	**(300)**	**12,312**	**0.0%**
												0				
Total Expenditure		**848,155**	**0**	**0**	**5,101**	**11,945**	**7,280**	**2,775**	**872,480**	**2,775**	**875,255**	**(16,650)**	**856,130**	**2,475**	**858,605**	
Planned (Surplus)/deficit		8,327	(18,778)	(18,403)	5,101	11,945	7,280	2,775	13,874	(15,628)	(1,753)	(16,650)	(2,475)	(15,928)	(18,403)	