Report To:	Governing Body – Meeting in Common
Report Title:	2019/20 Financial Plan & Budget Approval
Report From:	Clare Hollingworth, Chief Finance Officer
Date:	28th March 2019
Previously Considered by:	Earlier iterations of the Plan have been discussed at the Finance & Performance Committee (January and February 2019)

Action Required							
Decision:	✓	**Assurance:**		**Information**		**Confidential**	

Purpose of the Report:

To seek approval for the opening revenue budget for 2019/20, to summarise planned QIPP cost reductions and to highlight the key financial risks for 2019/20 and beyond.

Key Points:

- The CCG has a statutory duty to set an annual budget that contains expenditure within its notified revenue resource limit.
- The CCG has been set an in-year control total surplus of £0.4m. The Plan presented delivers this control total and achieves other NHSE business rules: 0.5% general contingency held, MH investment increases by 0.7% more than overall programme allocation.
- The CCG faces another financially challenging year, requiring a collective responsibility for the use of resources to be acknowledged and robust financial management applied across all areas. Delivery of QIPP cost reduction and demand management schemes will be critical to the achievement of financial balance.
- Contract values with the CCG's main NHS Providers are agreed but offers for smaller contracts are still being reviewed.
- Financial risks are recognised in relation to CHC and S117 spend and in relation to the delegated GP services budget.
- With this caveat, the Budget Plan assumes that the CCG will identify and deliver in-year QIPP savings of £21.8m (net) in 2019/20 of which 69% is considered achieved.
- The CCG is carrying a significant net risk and must focus throughout the year on identifying and securing further mitigations.
- The proposed Capital Programme is subject to the CCG receiving confirmation of funding from NHS England.

Recommendation:

CRCCG Governing Body Members are asked to:

- **APPROVE** the 2019/20 Financial Plan/revenue Budget as presented.
- **NOTE** the risks inherent within this Plan
- **NOTE** the position with regards to Capital funding for 2019/20.

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NHS COVENTRY & RUGBY CLINICAL COMMISSIONING GROUP

Report to: **Governing Body – 28th March 2019**

Report from: **Clare Hollingworth, Chief Finance Officer**

Title: **2019/20 Financial Plan & Budget Approval**

1.0 Introduction

The purpose of this report is to present the CCG's initial revenue budgets and capital programme for 2019/20 to the Governing Body for approval.

The paper discusses the principles adopted when determining start point budgets, areas prioritised for new investment, areas identified for cost efficiencies and the key financial risks and challenges for the year ahead.

Whilst the level of revenue growth allocated to CCGs in 2019/20 is possibly more generous that in recent years, the financial outlook remains challenging and a continued focus on activity and cost reduction measures is required. Locally, the scale of the 2019/20 financial challenge has been exacerbated by under delivery against 2018/19 savings plans.

This opening budget identifies a QIPP/savings requirement for 2019/20 of £21.8m net (3.0%). A significant proportion of this (£9.5m) has been identified through application of growth monies which reduces in-year headroom. A further £5.5m has been contractualised with Providers; whilst the CCG's major Acute contract now includes several block funded elements, there remains a risk of over-performance on the remaining cost & volume service lines and against the contracts with other Providers.

Negotiations in relation to lower value contracts have yet to be concluded. Any changes to individual budget lines resulting from the conclusion of contract negotiations will be reported through the CCG's Finance & Performance Committee. This could lead to a small increase in the overall QIPP/savings requirement.

Although much work has been undertaken over the last twelve months to strengthen controls in relation to the management of CHC and Section 117 packages of care, these budgets remain volatile with a risk of over-spends emerging. A further review will be undertaken in April based upon known funding commitments as at 31st March; any increase in the budget required would represent a cost pressure to the CCG.

The proposed 2019/20 budget has been prepared in accordance with the budget setting principles approved by the CCG's Finance & Performance Committee in November 2018.

2.0 National Business Rules

The Plan presented is constructed so as to demonstrate compliance with the following NHS England business rules that apply to all CCGs:

- Deliver the in-year control total set by NHSE (£0.4m surplus for 2019/20)
- Hold a 0.5% general contingency
- To invest in Mental Health services at a rate in line with individual CCG programme growth +0.7% (ie. 7.1% for CRCCG)

The CCG exits 2018/19 in cumulative surplus and with a recurrent underlying surplus of £1.9m (as calculated at the Month 11):

Table 1 – CCG cumulative position

	2017/18	2018/19	2019/20
	£m	£m	£m
Cumulative Surplus / (Deficit) b/fwd	3.4	6.0	6.0
In-year Surplus / (Deficit)	2.7	0	0.4
Release of 1.0% Risk Reserve		0	
Cumulative Surplus / (Deficit) c/fwd	**6.0**	**6.0**	**6.4**

3.0 2019/20 Opening Revenue Budget

Table 2 provides a summary overview of the proposed revenue budget, based upon the planning assumptions previously shared.

Table 2 – Summary 2019/20 Initial Budget

	2019/20 Opening Budget £m
Acute services	371.5
Mental Health services	93.1
Community Services	49.7
Continuing Care Services	39.5
Primary Care services	6.4
Prescribing	63.2
GP Services (Delegated)	71.2
Other Programme services	20.7
Sub-total Commissioning Budgets	**715.2**
Reserves	0.4
Running Costs	9.8
Contingency	3.7
Total	**729.1**
Resource	**729.5**
Planned Surplus / (Deficit)	**0.4**

A full reconciliation between 2018/19 forecast out-turn and the 2019/20 opening budgets will be shared with the CCG's Finance & Performance Committee.

4.0 Available Resources

Details of the CCG's notified revenue resources for 2019/20 are detailed in Table 3 below.

Opening allocations reflect part funding for GP Extended Access with a further allocation of £1.4m expected (based on £6 per head of population).

It should be noted that whilst a non-recurrent allocation has been received for 2018/19, CCGs are expected to pick up the costs of Paramedic Re-banding and Ambulance Service Winter Pressures from their core budget from April 2020.

Table 3 – Opening 2019/20 Revenue Resource Limit

	2019/20 Opening Budget £m
Recurrent	
Notified Allocation - Commissioning	641.8
Specialised Commissioning	3.9
GP access allocations / Ambulance	1.7
Notified Allocation - Running Costs	10.3
GP Delegated Budget	71.2
Sub-total Recurrent Resource	**729.0**
Non Recurrent	0.5
Total In Year-Allocation	**729.5**

5.0 Commissioning (ie. Programme) Budgets

a) Acute Care

UHCW

Although not yet signed, a contract value of £300.6m has been agreed with the CCG's main Acute provider. Recognising the need to work more collaboratively to manage demand and begin to reduce the overall costs of care so as to remain within the resources available, the Trust and the CCG have agreed to move to an Aligned Incentives contract, which is intended to assign financial risk to the organisation most able to control and mitigate. To secure this new type of contract and begin the move away from a PbR basis, the CCG has had to agree a contract value higher than the cost envelope that it had set aside. This is justified as an investment for the future and recognises that the Trust will need time to reduce its cost base. Within the new contract, Elective Care is largely block funded, as is Maternity and (non-Stroke) Rehabilitation. A minimum income guarantee has been agreed for Emergency Care with activity above plan subject to a 20% marginal rate as per the new national 'blended tariff' rules. High cost drugs and devices are subject to a gain share arrangement. The CCG and Trust will agree a joint work programme to support the demand management and cost reduction focus of the new contract.

The additional investment required of the CCG is assessed as broadly equivalent to the risk of QIPP under-achievement had the contract remained as full Payment by Results

WMAS

NHSE expect Commissioners to invest in their Ambulance provider to increase clinical assessment capacity with a view to reducing the number of hospital conveyances. For the West Midlands, this planning is led by the Integrated Urgent Care Team (IUCT) who are hosted by Sandwell & West Birmingham CCG. The West Midlands contract price proposed by the IUCT includes investment of £2.0m for a Strategic Capacity Cell (SCC) and £4.4m for a Clinical Assessment Service (CAS) across the region. The IUCT expect a reduction in conveyances to accrue from these investments but are not prepared to quantify expected savings until the new services are fully embedded. The SCC has been operational since the beginning of March whilst the CAS is expected to be rolled out during the next twelve months. The full year costs to CRCCG are £168k and £381k respectively, with the actual CAS spend likely to be lower in 2019/20 due to the phased introduction

Other Acute Contracts

2019/20 contract values are still to be finalised for the CCG's other Acute contracts. This Budget Approval provides for contract values calculated upon 2018/19 forecast out-turn plus demographic growth plus the anticipated cost of national tariff changes. Any changes to individual budget lines resulting from the conclusion of contract negotiations will be reported through the CCG's Finance & Performance Committee. This could lead to a small increase in the overall savings requirement.

b) Non Acute Care

The opening budget for Non Acute Care reflects the agreed 19/20 contract value with CWPT (MH & LD) and the CCG's proposal to SWFT (Community). Work is still ongoing to finalise the numerous contracts and grant arrangements with non-NHS organisations but no significant cost/activity pressures are anticipated.

The major variable within the Non-Acute commissioning portfolio is the cost of Continuing Healthcare (CHC) and Section 117 placements. The proposed budget is based upon 2018/19 forecast out-turn plus anticipated growth and price inflation (+7.1%) less the QIPP target.

Although much work has been undertaken over the last twelve months to strengthen controls in relation to the management of CHC and Section 117 packages of care, these budgets remain volatile with a risk of over-spends emerging. A further review will be undertaken in April based upon known funding commitments as at 31st March; any increase in the budget required would represent a cost pressure to the CCG.

c) Primary Care

The Prescribing budget is based upon 2018/19 forecast out-turn plus 4.4% for combined volume growth and price inflation. The Prescribing budget assumes a neutral impact in relation to future national price changes. As in previous years, there is a generic risk of potential in-year cost pressures for new NICE recommended drugs and further changes to Category M reimbursement rates.

As required, a sum equivalent to £1.50 per registered patient has been set aside to support the development of Primary Care Networks.

Where approved on a recurrent basis, the transfers of expenditure between the CCG core budget and the delegated GP Services are reflected in this opening budget.

Other elements of the Primary Care budget are based upon forecast 2018/19 expenditure.

It is now understood that NHSE will transact an in-year allocation adjustment to move the funding for GP Extended Access into the delegated (and ring-fenced) GP Services budget ahead of Primary Care Networks taking over responsibility for this provision from April 2021, following the planned (national) access review.

d) Other Programme Costs

These budgets remain largely unchanged from the previous year's outturn other than staffing budgets which have been re-costed. The opening property budget is based upon information received from NHS Property Services regarding liabilities for void property but it is possible that some revisions could be notified.

6.0 Earmarked Reserves

Given the overall affordability position, the CCG has had only limited ability to set aside funds in addition to the required 0.5% general contingency, for costs pressures that are pre-committed. Modest amounts have been set aside for Stroke developments, administration of CHC appeals and very high cost packages. These are offset in Table 2 by income budgets, including the expected capital to revenue transfer in respect of the Warwickshire integrated community equipment service (Table 6 refers).

It should be noted that no funding has been set aside to secure improvement against NHS Constitution targets nor to progress against any national targets (as set out in NHSE's planning guidance) other than those that are Mental Health related (section 7.0 refers).

7.0 Delivering the savings/QIPP Challenge

This opening budget identifies a QIPP/savings challenge for 2019/20 of £21.8m net which includes £9.5m already achieved through budget setting and £5.5m secured through contract negotiations.

Table 4 – 2019/20 QIPP Schemes

	£m (net)
Provider-facing	5.5
CHC/S117 Packages	2.6
Prescribing	3.2
Running Costs	1.0
Other cost avoidance	9.5
	21.8
	3% of RRL

In accordance with good practice, QIPP/savings targets agreed with SROs have been removed from the expenditure lines to which they relate.

With the move from a full PbR contract to an Aligned Incentives contract with UHCW, the focus moves to a joint work programme intended to reduce demand services and to redesign pathways of care to be more efficient, thus allowing the Trust to take out operating costs. The risk of Planned & Urgent Care QIPP under-achievement is replaced with the risk of contract over-performance, although the blocks and caps within the new contract are designed to limit the CCG's financial exposure.

8.0 Mental Health Investment Standard (MHIS)

The 2019/20 NHSE planning guidance makes very clear the expectation that each and every CCG will achieve the Mental Health Investment Standard, by which their 2019/20 spending on mental health will rise by a minimum of 0.7% faster rate than their overall programme funding (ie. 6.4% + 0.7% = 7.1% for CRCCG)

This opening budget proposal achieves the investment standard albeit a not insignificant proportion of the increased spending is on inflation uplifts and anticipated growth in individual packages. A number of service improvements initially funded through national transformation monies require pick up from 1st April 2019 and local investment decisions made during 2018/19 have a balance to full year investment impact. The CCG's Finance & Performance Committee recommends that these be treated as pre-commitments.

Whilst this Budget sets aside the funding required to deliver the MHIS, that additional spending is only affordable if all other budgets perform in line with plan.

Table 5 – MH/LD Investments within Opening Budget

	£000s
IAPT service expansion (fye)	367
IAPT trainees	466
CAMHS Tier 3+	315
CAMHS Acute Liaison	194
Perinatal MH	190
Early Intervention in Psychosis	187
LD Childrens IST	231
LD Forensic Support	50
Total Investment	2,000

9.0 Delegated GP Services Budget

The delegated budget for GP Services has been set at the value of the allocation notified by NHSE. The original January 2019 allocations included a £4.77m (7.0%) increase for GP Services. This has now been reduced to £2.66m (4.0%) following a top-slice to adjust for indemnity costs which are now to be administered centrally. It is assumed that this change is cost neutral at individual CCG level but this is still to be verified. A further adjustment is expected to transfer in the funding for Extended Access which is currently allocated to CCG core budgets.

Some further uncertainty exists in relation to funding streams for the new GP contract framework, which includes the introduction of a new Directed Enhanced Services scheme for Primary Care Networks. The current assumption is that the funding implications of the contract changes can either be accommodated within the revised growth allocation or will attract new national funding. Some risk must be recognised in relation to this.

The detailed expenditure plan for the delegated budget will be approved at the next public meeting of the Primary Care Commissioning Committee.

10.0 Key Risks & Challenges

As per earlier reports to the Finance & Performance Committee, a number of risks have been identified that are likely to impact upon the CCG's ability to deliver the Plan as presented:

- **2018/19 Exit Position** - the in-year position continues to deteriorate and whilst to date the CCG has been able to manage this with non-recurrent flexibilities, any further rise in recurrent expenditure will increase the QIPP requirement for 18/19.
- **Activity growth –** generic risk that actual growth may be higher than budgeted for any area of volume driven expenditure (Acute Care, CHC, Section 117 placements).
- **National Prescribing Cost Pressures -** CCGs have continued to face a significant cost pressure in 2018/19 arising from No Cheaper Stock Obtainable issues and increases in market price. Growing international demand for pharmaceuticals may well give rise to other stock or price issues in the future.

- **Transforming Care**: NHSE have yet to confirm that funding will flow from Specialised Services to CCGs to support the accelerated in-patient bed closure programme in future years.

Ideally, the CCG should look to make some provision within its Financial Plan for these potential risks but this would add to an already significantly challenging QIPP/savings target. Alongside the 0.5% general contingency, the Executive Team will look to develop mitigating non budgetary actions to mitigate the risk.

Full details of the quantified risk assessment will be shared at the next Finance & Performance Committee.

11.0 Running Costs

In addition to the revenue allocation received for the commissioning of healthcare services (ie. Programme spend), the CCG receives an Administration or running costs allocation (RCA). For 2019/20, CRCCG will receive an RCA of £10.3m.

Pay budgets have been re-costed to reflect agreed establishments and actual salary costs including the impact of both the 18/19 and 19/20 pay uplift for Agenda for Change (AfC) staff. In line with planning guidance, it is assumed that additional national funding will be allocated to cover the cost of any in-year change in pension contributions.

Minimal changes have been made to non-pay budgets compared to 2018/19 forecast outturn, other than adjusting for non-recurrent expenditure.

The opening budget is subject to the following caveats:

- The value of the SLA with Arden GEM for commissioning support services has still to be agreed.
- The property charges being proposed by NHS Property Services are possibly subject to further revision.

Any budget adjustments required as a result of these two issues will be reported as in-year variations.

CCGs are expected to deliver a 20% real terms reduction against their 2017/18 RCA in 2020/21, adjusted for recent pay awards. This is their contribution to the overall £700m administrative savings requirement for commissioners and providers by 2023/24. It is intended that the CCG develops options for achieving this reduction for discussion at the Finance & Performance Committee at the beginning of July. In anticipation of this funding reduction and taking account of the 18/19 under-spend, a QIPP target of £1.0m has been set against the Running Costs Allowance for 2019/20, thereby relieving pressure on the Commissioning (or Programme) budget.

12.0 Capital

The CCG has submitted an application for the following capital monies:

Table 6 – provisional 2019/20 Capital programme (Corporate)

	2019/20 Indicative Capital Programme £m
Corporate IT	0.31
ICE Capital Grant	0.80
Total	**1.11**

Table 7 – provisional 2019/20 Capital programme (GP IT)

	2019/20 Indicative Capital Programme £m
GP IT	2.04
Total	**2.04**

It is unclear when NHSE will make a final decision on applications.

13.0 Recommendations

CRCCG Governing Body Members are asked to:

- **APPROVE** the 2019/20 Financial Plan/revenue Budget as presented.
- **NOTE** the risks inherent within this Plan
- **NOTE** the position with regards to Capital funding for 2019/20.

Clare Hollingworth
Chief Finance Officer

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Key Points:

- The CCG has a statutory duty to set an annual budget that contains expenditure within its notified revenue resource limit.
- The CCG has been set a breakeven in-year control total for 2019/20. The Plan presented delivers this control total and achieves other NHSE business rules: 0.5% general contingency held, MH investment increases by 0.7% more than overall programme allocation.
- The CCG faces another financially challenging year, requiring a collective responsibility for the use of resources to be acknowledged and robust financial management applied across all areas. Delivery of QIPP cost reduction and demand management schemes will be critical to the achievement of financial balance.
- Contract values with the CCG's main NHS Providers are agreed but offers for smaller contracts are still being reviewed.
- Financial risks are recognised in relation to CHC and S117 spend and in relation to the delegated GP services budget.
- With this caveat, the Budget Plan assumes that the CCG will identify and deliver in-year QIPP savings of £10.5m (net) in 2019/20 of which 56% is considered achieved.
- The CCG is carrying a significant net risk and must focus throughout the year on identifying and securing further mitigations.
- The proposed Capital Programme is subject to the CCG receiving confirmation of funding from NHS England.

Recommendation:

WNCCG Governing Body Members are asked to:
- **APPROVE** the 2019/20 Financial Plan/revenue Budget as presented.
- **NOTE** the risks inherent within this Plan
- **NOTE** the position with regards to Capital funding for 2019/20.

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NHS WARWICKSHIRE NORTH CLINICAL COMMISSIONING GROUP

Report to: **Governing Body – 28th March 2018**

Report from: **Clare Hollingworth, Chief Finance Officer**

Title: **2019/20 Financial Plan & Budget Approval**

1.0 Introduction

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The paper discusses the principles adopted when determining start point budgets, areas prioritised for new investment, areas identified for cost efficiencies and the key financial risks and challenges for the year ahead.

Whilst the level of revenue growth allocated to CCGs in 2019/20 is possibly more generous that in recent years, the financial outlook remains challenging and a continued focus on activity and cost reduction measures is required. Locally, the scale of the 2019/20 financial challenge has been exacerbated by under delivery against 2018/19 savings plans and the underlying recurrent deficit.

This opening budget identifies a QIPP/savings requirement for 2019/20 of £10.5m net (3.7%). A significant proportion of this (£4.0m) has been identified through application of growth monies which reduces in-year headroom. A further £1.9m has been contractualised with Providers; whilst the CCG's major Acute contract is now block funded, there remains a risk of over-performance against the contracts with other Providers.

This opening budget identifies a QIPP/savings challenge for 2019/20 of £10.5m net which includes £4.0m already achieved through budget setting and £1.9m secured through contract negotiations.

Negotiations in relation to lower value contracts have yet to be concluded. Any changes to individual budget lines resulting from the conclusion of contract negotiations will be reported through the CCG's Finance & Performance Committee. This could lead to a small increase in the overall QIPP/savings requirement.

Although much work has been undertaken over the last twelve months to strengthen controls in relation to the management of CHC and Section 117 packages of care, these budgets remain volatile with a risk of over-spends emerging. A further review will be undertaken in April based upon known funding commitments as at 31st March; any increase in the budget required would represent a cost pressure to the CCG.

The proposed 2019/20 budget has been prepared in accordance with the budget setting principles approved by the CCG's Finance & Performance Committee in November 2018.

2.0 National Business Rules

The Plan presented is constructed so as to demonstrate compliance with the following NHS England business rules that apply to all CCGs:

- Deliver the in-year control total set by NHSE (break-even for 2019/20)
- Hold a 0.5% general contingency
- To invest in Mental Health services at a rate in line with individual CCG programme growth +0.7% (ie. 6.0% for WNCCG)

The CCG exits 2018/19 with a recurrent underlying deficit of £5.3m and with a significant cumulative deficit:

Table 1 – CCG cumulative position

	2017/18	2018/19	2019/20
	£m	£m	£m
Cumulative Surplus / (Deficit) b/fwd	(14.2)	(18.0)	(18.63)
In-year Surplus / (Deficit)	(3.7)	(1.0)	0.0
CSF		0.35	0
Cumulative Surplus / (Deficit) c/fwd	**(17.98)**	**(18.63)**	**(18.63)**

3.0 2019/20 Opening Revenue Budget

Table 2 provides a summary overview of the proposed revenue budget, based upon the planning assumptions previously shared.

Table 2 – Summary 2019/20 Initial Budget

	2019/20 Opening Budget £m
Acute services	154.3
Mental Health services	28.3
Community Services	18.2
Continuing Care Services	14.9
Primary Care services	1.1
Prescribing	28.7
GP Services (Delegated)	26.4
Other Programme services	4.8
Sub-total Commissioning Budgets	**276.7**
Reserves	0.9
Running Costs	3.8
Contingency	1.4
Total	**282.7**
Resource	**282.7**
Planned Surplus / (Deficit)	**0.0**

A full reconciliation between 2018/19 forecast out-turn and the 2019/20 opening budgets will be shared with the CCG's Finance & Performance Committee.

4.0 Available Resources

Details of the CCG's notified revenue resources for 2019/20 are detailed in Table 3 below.

Table 3 – Opening 2019/20 Revenue Resource Limit

	2019/20 Opening Budget £m
Recurrent	
Notified Allocation - Commissioning	251.4
Specialised Commissioning	0.7
Notified Allocation - Running Costs	4.0
GP Delegated Budget	26.4
Sub-total Recurrent Resource	**282.5**
Non Recurrent	0.2
Total In Year-Allocation	**282.7**

Opening allocations exclude GP Extended Access for which an in-year allocation of £1.2m is expected.

It should be noted that whilst a non-recurrent allocation has been received for 2018/19, CCGs are expected to pick up the costs of Paramedic Re-banding and Ambulance Service Winter Pressures from their core budget from April 2020.

5.0 Commissioning (ie. Programme) Budgets

a) Acute Care

GEH

Although not yet signed, a contract value of £92.9m has been agreed with the CCG's main Acute provider. Recognising the need to work more collaboratively to manage demand and begin to reduce the overall costs of care so as to remain within the resources available, the Trust and the CCG have agreed a block contract supported by a gain share agreement whereby any net savings from a jointly agreed work programme will be shared on a 50/50 basis.
To secure this new type of contract and begin the move away from PbR contract, the CCG has had to agree a contract value higher than the cost envelope that it had set aside. This is justified as an investment for the future and recognises that the Trust will need time to reduce its cost base.
The additional investment required of the CCG is assessed as broadly equivalent to the amount that would have likely been payable under a Payment by Results based upon partial (ie. risk adjusted) QIPP delivery.

WMAS

NHSE expect Commissioners to invest in their Ambulance provider to increase clinical assessment capacity with a view to reducing the number of hospital conveyances. For the West Midlands, this planning is led by the Integrated Urgent Care Team (IUCT) who are hosted by Sandwell & West Birmingham CCG. The West Midlands contract price proposed by the IUCT includes investment of £2.0m for a Strategic Capacity Cell (SCC) and £4.4m for a Clinical Assessment Service (CAS) across the region. The IUCT expect a reduction in conveyances to accrue from these investments but are not prepared to quantify expected savings until the new services are fully embedded. The SCC has been operational since the beginning of March whilst the CAS is expected to be rolled out over the next twelve months. The full year costs to WNCCG are £62k and £142k respectively, with the actual CAS spend likely to be lower in 2019/20 due to the phased introduction.

Other Acute Contracts

2019/20 contract values are still to be finalised for the CCG's other Acute contracts. This Budget Approval provides for contract values calculated upon 2018/19 forecast out-turn plus demographic growth plus the anticipated cost of national tariff changes. Any changes to individual budget lines resulting from the conclusion of contract negotiations will be reported through the CCG's Finance & Performance Committee. This could lead to a small increase in the overall savings requirement.

b) Non Acute Care

The opening budget for Non Acute Care reflects the agreed 19/20 contract value with CWPT (MH & LD) and the CCG's proposal to SWFT (Community and Out of Hospital). Work is still ongoing to finalise the numerous contracts and grant arrangements with non-NHS organisations but no significant cost/activity pressures are anticipated.

The major variable within the Non-Acute commissioning portfolio is the cost of Continuing Healthcare (CHC) and Section 117 placements. The proposed budget is based upon 2018/19 forecast out-turn plus anticipated growth and price inflation (+7.1%) less the QIPP target.

Although much work has been undertaken over the last twelve months to strengthen controls in relation to the management of CHC and Section 117 packages of care, these budgets remain volatile with a risk of over-spends emerging. A further review will be undertaken in April based upon known funding commitments as at 31st March; any increase in the budget required would represent a cost pressure to the CCG.

c) Primary Care

The Prescribing budget is based upon 2018/19 forecast out-turn plus 4.4% for combined volume growth and price inflation. The Prescribing budget assumes a neutral impact in relation to future national price changes. As in previous years, there is a generic risk of potential in-year cost pressures for new NICE recommended drugs and further changes to Category M reimbursement rates.

As required, a sum equivalent to £1.50 per registered patient has been set aside to support the development of Primary Care Networks.

Where approved on a recurrent basis, the transfers of expenditure between the CCG core budget and the delegated GP Services are reflected in this opening budget.

Other elements of the Primary Care budget are based upon forecast 2018/19 expenditure.

d) Other Programme Costs

These budgets remain largely unchanged from the previous year's outturn other than staffing budgets which have been re-costed. The opening property budget is based upon information received from NHS Property Services regarding liabilities for void property but it is possible that some revisions could be notified.

6.0 Earmarked Reserves

Given the overall affordability position, the CCG has had only limited ability to set aside funds in addition to the required 0.5% general contingency, for costs pressures that are pre-committed. Modest amounts have been set aside for Stroke developments, potential Responsible Commissioner transfers and continuation of community developments funded non-recurrently in 2018/19. These are offset in Table 2 by income budgets, including the expected capital to revenue transfer in respect of the Warwickshire integrated community equipment service (Table 6 refers).

It should be noted that no funding has been set aside to secure improvement against NHS Constitution targets nor to progress against any national targets (as set out in NHSE's planning guidance) other than those that are Mental Health related (section 7.0 refers).

7.0 Delivering the savings/QIPP Challenge

This opening budget identifies a QIPP/savings challenge for 2019/20 of £10.5m net which includes £4.0m already achieved through budget setting and £1.9m secured through contract negotiations.

Table 4 – 2019/20 QIPP Schemes

	£m (net)
Provider-facing	1.9
CHC/S117 Packages	2.3
Prescribing	2.1
Running Costs	0.2
Other cost avoidance	4.0
	10.5
	3.7% of RRL

In accordance with good practice, QIPP/savings targets agreed with SROs have been removed from the expenditure lines to which they relate.

With the move from a full PbR contract to a Block contract with GEH, the focus moves to a joint work programme intended to reduce demand services and to redesign pathways of care to be more efficient, thus allowing the Trust to take out operating costs. The risk of Planned & Urgent Care QIPP under-achievement is removed. If the joint work programme is successful, gains will be shared on a 50/50 basis.

8.0 Mental Health Investment Standard (MHIS)

The 2019/20 NHSE planning guidance makes very clear the expectation that each and every CCG will achieve the Mental Health Investment Standard, by which their 2019/20 spending on mental health will rise by a minimum of 0.7% faster rate than their overall programme funding (ie. 5.3% + 0.7% = 6.0% for WNCCG)

This opening budget proposal achieves the investment standard albeit a not insignificant proportion of the increased spending is on inflation uplifts and growth in individual packages. A number of service improvements initially funded through national transformation monies require pick up from 1st April 2019 and local investment decisions made during 2018/19 have a balance to full year investment impact. The CCG's Finance & Performance Committee recommends that these be treated as pre-commitments.

Table 6 – MH & LD Investment within Opening Budget

	£000s
IAPT service expansion (fye)	148
IAPT trainees	189
CAMHS Tier 3+	124
CAMHS Acute Liaison	76
Perinatal MH	76
LD Childrens IST	92
LD Forensic Support	20
Total Investment	725

Whilst this Budget sets aside the funding required to deliver the MHIS, that additional spending is only affordable if all other budgets perform in line with plan.

9.0 Delegated GP Services Budget

The delegated budget for GP Services has been set at the value of the allocation notified by NHSE. The original January 2019 allocations included a £1.49m (5.8%) increase for GP Services. This has now been reduced to £0.74m (2.9%) following a top-slice to adjust for indemnity costs which are now to be administered centrally. It is assumed that this change is cost neutral at individual CCG level but this is still to be verified. A further adjustment is expected to transfer in the funding for Extended Access which is currently allocated to CCG core budgets.

Some further uncertainty exists in relation to funding streams for the new GP contract framework, which includes the introduction of a new Directed Enhanced Services scheme for Primary Care Networks. The current assumption is that the funding implications of the contract changes can either be accommodated within the revised growth allocation or will attract new national funding. Some risk must be recognised in relation to this

The detailed expenditure plan for the delegated will be approved at the next public meeting of the Primary Care Commissioning Committee.

10.0 Key Risks & Challenges

As per earlier reports to the Finance & Performance Committee, a number of risks have been identified that are likely to impact upon the CCG's ability to deliver the Plan as presented:

- **2018/19 Exit Position** - the in-year position continues to deteriorate and whilst to date the CCG has been able to manage this with non-recurrent flexibilities, any further rise in recurrent expenditure will increase the QIPP requirement for 18/19.
- **Activity growth –** generic risk that actual growth may be higher than budgeted for any area of volume driven expenditure (Acute Care, CHC, Section 117 placements).
- **National Prescribing Cost Pressures -** CCGs have continued to face a significant cost pressure in 2018/19 arising from No Cheaper Stock Obtainable issues and increases in market price. Growing international demand for pharmaceuticals may well give rise to other stock or price issues in the future.
- **Transforming Care**: NHSE have yet to confirm that funding will flow from Specialised Services to CCGs to support the accelerated in-patient bed closure programme in future years.

Ideally, the CCG should look to make some provision within its Financial Plan for these potential risks but sufficient QIPP schemes were not developed to enable this. Alongside the 0.5% general contingency, the Executive Team will look to develop mitigating non budgetary actions to mitigate the risk.

Full details of the quantified risk assessment will be shared at the next Finance & Performance Committee.

11.0 Running Costs

In addition to the revenue allocation received for the commissioning of healthcare services (ie. Programme spend), the CCG receives an Administration or running costs allocation (RCA). For 2019/20, WNCCG will receive a RCA of £3.96m.

Pay budgets have been re-costed to reflect agreed establishments and actual salary costs including the impact of both the 18/19 and 19/20 pay uplift for Agenda for Change (AfC) staff. In line with planning guidance, it is assumed that additional national funding will be allocated to cover the cost of any in-year change in pension contributions.

Minimal changes have been made to non-pay budgets compared to 2018/19 forecast outturn, other than adjusting for non-recurrent expenditure.

The opening budget is subject to the following caveats:

- The value of the SLA with Arden GEM for commissioning support services has still to be agreed.
- The property charges being proposed by NHS Property Services are possibly subject to further revision.

Any budget adjustments required as a result of these two issues will be reported as in-year variations.

CCGs are expected to deliver a 20% real terms reduction against their 2017/18 RCA in 2020/21, adjusted for recent pay awards. This is their contribution to the overall £700m administrative savings requirement for commissioners and providers by 2023/24. It is intended that the CCG develops options for achieving this reduction for discussion at the Finance & Performance Committee at the beginning of July. In anticipation of this funding reduction, a QIPP target of £0.2m has been set against the Running Costs Allowance for 2019/20, thereby relieving pressure on the Commissioning (or Programme) budget.

12.0 Capital

The CCG has submitted an application for the following capital monies:

Table 6 – provisional 2019/20 Capital programme (Corporate)

	2019/20 Indicative Capital Programme £000s
Corporate IT	0.07
ICES Capital Grant	1.13
Total	**1.19**

Table 7 – provisional 2019/20 Capital programme (GP IT)

	2019/20 Indicative Capital Programme £000s
GP IT	1.16
Total	**1.16**

It is unclear when NHSE will make a final decision on applications.

13.0 Recommendations

WNCCG Governing Body Members are asked to:

- **APPROVE** the 2019/20 Financial Plan/revenue Budget as presented.
- **NOTE** the risks inherent within this Plan
- **NOTE** the position with regards to Capital funding for 2019/20.