



Berkshire West
Clinical Commissioning Group

Financial Plan - 2018-19

1. Summary

1.1 As part of the annual planning processes, CCG plans are nationally assessed against a number of criteria. These criteria and how the Berkshire West CCG has performed against them are detailed below:

- (a) In year financial breakeven – CCG achieved.
- (b) Cumulative surplus position of greater of 1% or surplus rolled forward from 17-18 – CCG achieved.
- (c) Net Risk position (ie identified potential cost pressures less mitigations and reserves to cover) of Nil – CCG achieved.
- (d) Running cost envelope not exceeded – CCG achieved.
- (e) Contingency reserve set at 0.5% of allocation – CCG achieved.
- (f) Growth in investment in Mental Health services needs to match the allocation increase for the CCG (3.06%) – CCG achieved.
- (g) Investment in BCF in line with national recommendation – CCG achieved.

1.2 As part of the assessment of CCG plans the national assessment process also reviews critical assumptions and savings required to balance. The main headings for these are described below:

- National guidance for the 18-19 planning process included some generic acute activity growth rates, which could be used as default values for contracting purposes. For the BW system, these values were used for most providers with the exception of RBFT, where locally agreed growth rates were used. This approach was taken as the national assumptions about elective care delays are not true for the BW system.
- Growth of 4% assumed within prescribing budgets. It has been assumed that the unusual cost pressure seen in 17-18 related to NCSO (discretionary prices for generic drugs), will not recur in 18-19. This is in line with NHSE guidance.
- The financial gap requiring bridging in 18-19 has been estimated at £16.9m (2.6% of allocation). This is more than the savings achieved in 17-18 (2.1%).

2. National Planning Process

- 2.1 The Planning process was significantly delayed this year, with planning guidance that would normally have been published before Christmas, not being available until the middle of February. Initial financial and activity plans were due to be submitted on 8th March, with a final submission on 30th April.
- 2.2 The figures included in this document are a summary of what the figures were for the 30th April Submission.

3. Local Context

3.1 The Berkshire West CCG is funded at £25m less than its target allocation, and has a crude allocation per head that is the second lowest in the country.

| | Crude funding per head | Growth received in 18-19 | Distance From target (under target) |
|--------------------|------------------------|--------------------------|-------------------------------------|
| Berkshire West CCG | £1,059 | 3.06% | (4.45%) |
| South East CCG's | £1,196 | 3.01% | (1.22%) |
| National average | £1,254 | 2.98% | 0.00% |

3.2 The growth funding received to fund programme budgets for 2018-19 was originally £12.2m. This was increased by £4.8m as a result of the changes to the autumn budget. In addition, the local business rules related to CCG's holding a national 0.5% reserve has been dropped, meaning that £2.8m is now available to fund in year services.

4. Commissioning Intentions

4.1 In line with national expectations, the CCGs will be working to ensure that their commissioning activities over the coming year deliver improved outcomes linked the Five Year Forward View:

- Urgent Care
- Primary Care
- Mental Health
- Cancer

4.2 There will continue to be a focus on improving outcomes for maternity service and for people living with diabetes.

4.3 The CCGs will also be required to ensure that providers continue to meet essential levels of quality and safety and to deliver the key rights and pledges to patients as set out in the NHS Constitution and the NHS Mandate.

5. Financial Plan Summary

5.1 The key financial targets are:

- Achievement of I&E break even in year;
- Retention of the surplus brought forward from prior year;
- Achievement of agreed efficiency plan (formally QIPP);

- Commitment to an increase in funding for mental health in line with our percentage increase in allocations;
- Manage within our running cost allocation
- Payment to suppliers in line with the Better Payment Practice Code;
- Management within agreed cash limit; and
- Demonstrating value for money.

5.2 Programme

The table below sets out how our programme allocations are planned to be deployed in 18-19 and what the spend was against the categories of spend in 2017-18.

| | 2017-18 OT £k | 2018-19 Plan £k |
|--------------------------------|------------------|-----------------------|
| Recurrent allocations | 635,276 | 653,835 |
| Non Recurrent allocations | 11,367 | 402 |
| Total Allocations | 646,643 | 654,237 |
| Acute Services | 329,828 | 334,362 |
| Mental Health Services | 66,186 | 68,391 |
| Community Health Services | 43,841 | 46,052 |
| CHC | 22,532 | 24,235 |
| Prescribing | 65,238 | 66,144 |
| Primary Care Co -Commissioning | 61,751 | 66,737 |
| Other Primary Care | 14,344 | 13,352 |
| Better Care Fund | 26,288 | 26,701 |
| Other programme costs | 5,802 | 11,485 |
| | 635,810 | 657,459 |
| Running Costs | 10,554 | 10,742 |
| | 646,364 | 668,201 |
| Contingency | 0 | 2,936 |
| Efficiency savings | 0 | -16,900 |
| | 646,364 | 654,237 |
| Year end position | 279 | 0 |

5.3 Running Costs

5.3.1. The allocation for BW CCG in 2018-19 has been reduced by £4k.

5.3.2. CSU costs have now reduced to c35% of the running cost budget of £10.4m as a result of services being brought in-house in to the CCG or one of the FTs. It is expected that there will

be further in-housing in 18-19 and that this will bring savings against most service lines. Savings will also be achieved as a result of the CCG merger.

5.4 Efficiency

5.4.1 The level of efficiency savings required by the CCG for 2018-19 currently total £16.9m, this is 2.6% of our overall allocation. This target total is based on the assumptions within the overall model used for 30th April submission.

5.4.2 Out of a total required savings of £16.9m, the CCG has currently identified internal plans to save in the region of £5.6m, and ICS schemes totalling £5.3m. The remaining £6m have been flagged against Rightcare opportunities.

5.5 Better Care Fund

5.5.1 Over £26.7m has been invested from health monies into the pooled budgets creating the Better Care Funds of the 3 Local Authorities.

5.5.2 These budgets were increased by 1.9% (£0.5m) in 2018/19 in line with national instructions.

5.6 Mental Health Investment Standard (MHIS)

5.6.1 Planning guidance set out the requirement for CCG to invest further in mental health services to endure parity of esteem between mental and physical health services. Berkshire West CCGs have committed to investing in line with their increased allocations.

6 Sources of Funding

6.1 Initial Allocations

Total recurrent allocations being received are in the table below:

| | 2017-18 | 2018-19 |
|-------------------------|-----------------|-----------------|
| Programme allocation | £565.75m | £582.92m |
| IR and HRG4+ reduction | £-6.56m | £-6.56m |
| Running cost allocation | £10.74m | £10.74m |
| Primary Medical Care | £65.35m | £66.74m |
| Total | £635.28m | £653.84m |

An allocation reduction is still being made to the allocations of the CCG related to the centrally calculated reduction in costs that these changes (IR and HRG4+) should have resulted in, in the CCG cost base. The adjustment related to the IR change will be revised in 18-19.

6.2 Non recurrent Allocations

The CCG may receive additional Non recurrent allocations in year to fund specific items of expenditure or to account for technical changes of responsibility, or accounting issues. Some of these adjustments are not yet known and have only been included in the plan where already notified by the NHSE central finance team.

7 Key Planning Assumptions

Our financial planning assumptions are in line with current National Guidance and are set out below. The level of acute activity growth is an item for local agreement but with generic guidance provided by NHSE. This guidance suggested acute care growth of 3.3%, however the CCG's consider this to be in excess of what this area of activity requires given the performance against the waiting list targets for elective care (ie no catch up required to meet RTT targets) and limited population growth in the area (less than 1%).

| Assumption | Source | 2015-16 |
|---|----------|-------------|
| National Tariff assumed inflation - general | National | 0.1% |
| National Tariff assumed inflation - CNST | National | 0.6% |
| Prescribing pressure | National | 4% |
| CHC pressure | National | 5.50% |
| Acute activity growth | Local | Variable |
| MH contract growth | Local | 2.26% |
| Community contract growth | Local | 2.26% |
| Better Care Fund | Local | 1.9% |
| In Year achievement | National | Break even |
| Cumulative position | National | >1% surplus |
| Contingency | National | 0.5% |

8 Risks and Opportunities

8.1 Significant financial risks have been identified as follows:

- Quantum of the Efficiency gap, and risk of non-achievement.

- Potential effects of IR rule changes to commissioner responsibility.
- Sustainability of providers mitigated by integrated working;
- Acute contract over performance, given level of growth assumed;
- Contractual financial pressure, as contracts are agreed and signed ;
- Potential volatility in prescribing prices (given 17-18 experience).

8.2 These risks will be reflected in our Risk Register and where a threat to achieving the CCGs strategic objectives will be reflected in the Governing Bodies Assurance Framework.

8.3 Opportunities

- ICS working relationships / System Integration
- Better Care Fund pooled budget; and
- Pathway redesign

9 Investment

In addition to the contribution to the Better Care Fund, there is an investment reserve to fund some specific pressures for 18-19. The main pressure relates to the Primary Care Practice Transformation Support, where the remaining balance required to achieve the £3 per head non recurrent investment has been set aside. The CCG will hold a £1.7m investment fund for the ICS and it has been assumed that this will be fully utilised by the ICS to cover programme costs and a limited number of investments linked to Five Year Forward View priority areas.

10 Make up of efficiency requirement

The financial challenge facing the CCGs in the coming year is derived from changes in cost offset by changes in funding. The summary table below shows that the net increase in funds available in 18-19, is in the order of £21m, but that this is more than outweighed by additional calls on this funding totalling £38m.

| | £m |
|---|-------|
| Resources | |
| Allocations | |
| Growth in programme | 17.0 |
| Growth in Co-Commissioning | 1.4 |
| Business rules | |
| Use of Headroom reserve | 2.8 |
| | 21.2 |
| Costs | |
| Brought forward imbalance | -3.1 |
| Use of non recurrent resources to balance 17-18 | -12.8 |
| Tariff inflation | -2.5 |
| Acute activity growth | -6.1 |
| CHC inflation/growth | -1.4 |
| Prescribing inflation/growth | -3.1 |
| Primary Care pressure | -0.1 |
| BCF investment | -0.5 |
| MH /Community growth | -2.4 |
| Rebuild of contingencies | -2.9 |
| Non recurrent pressures | -1.9 |
| Investment | -1.3 |
| | -38.1 |
| Efficiencies required | -16.9 |

11 Statement of Financial Position

Our estimated Statement of Financial Position is included below.

| | Total at 31/3/18 | Total at 31/3/19 |
|--|---------------------|---------------------|
| | £m | £m |
| Fixed Assets | 0 | 0 |
| Trade Receivables | 6 | 6 |
| Cash | 0 | 0 |
| Total Assets | 6 | 6 |
| Trade Payables | -41 | -41 |
| Provisions | -1 | -1 |
| Total liabilities | -42 | -42 |
| Total assets employed | -36 | -36 |
| Tax Payers equity - General fund | 36 | 36 |

12 Contract Values

Contract negotiations to refresh the two year contracts agreed for 2017-19 for financial and activity values are underway but have not yet been finally concluded. All main contracts should according to the guidance be agreed between the CCG and Providers by 30th April.

Contract envelopes for 2018-19

| Trust | CCG offer | Provider Offer | Difference |
|-------------------------|-----------|-------------------|------------|
| Royal Berkshire FT | £247m | £247m | nil |
| Berkshire Healthcare FT | £110m | £110m | nil |
| SCAS | £16m | £16m | <£0.1m |

13 Provider Alignment and Positions

13.1 The Berkshire West health economy is largely self-contained in that it has 3 main service providers, the first two below of which are party to the local ICS agreement with the CCG.

- (i) Royal Berkshire Hospital NHS Foundation Trust (Acute services) (RBFT)
- (ii) Berkshire Healthcare NHS Foundation Trust (Mental health community services) (BHFT)
- (iii) South Central Ambulance Services NHS Foundation Trust (Ambulance, PTS and 111 Services) (SCAS)

13.2 Royal Berkshire NHS Foundation Trust (RBFT)

For the purposes of NHS planning returns the contract value between the Trust and BW has been agreed at £247m for 2018/19. The detailed construction of this total is currently being examined by both parties as is the final form of the contract, in line with on-going ICS discussions.

13.3 Berkshire Healthcare NHS Foundation Trust (BHFT)

BHFT is the main provider of mental health and community services across Berkshire, with Berkshire West contributing 60% of the overall contract value. The Trust's income is primarily obtained through a block contract with its 2 main CCGs which although providing reliability of income it inevitably exposes the Trust to financial risk as activity increases.

For the coming year the CCGs have agreed (as part of its two year contract agreement) to fund growth in the contract at 2.26%, and the contract total agreed at £110m.

13.4 South Central Ambulance Services NHS Foundation Trust (SCAS)

Discussions between the joint commissioners of Ambulance services and the Trust are progressing but have been hampered by the introduction of new tariffs in 17/18 making it difficult for the CCG to make comparisons year on year and the contract is subject of an Activity Query Notice as a result. The CCG is hoping to be in a position to agree an initial contract value with SCAS pending the conclusion of the work around ARP and the increased acuity seen in 17-18. The CCG will want to work closely with SCAS to ensure that the contract has sufficient incentives to maximise see and treat and minimise the number of patients being conveyed. The current gap between the BW CCG budget and that requested by the Trust is less than £0.1m.

14 Conclusion

The final stage of the financial planning process has been completed in line with the national deadlines and business rules, using all the assumptions available at the time of completion. The final plan is currently being reviewed by NHSE, and we await the outcome of this review.