

**A meeting of the Governing Body
14th May 2015****ENCLOSURE 8
2015/16 Start Revenue Budget****RESPONSIBLE LEAD:** Tony Read, Chief Financial Officer**AUTHOR:** Nick Brown, Head of Finance
Tony Read, Chief Financial Officer**RECOMMENDATIONS:**

The Governing Body is asked to note the start revenue budget for 2015/16

Summary:

This paper sets out the start revenue budget for 2015/16, which forms part of the CCG's 2015/16 operating plan.

KEY ISSUES:

In March 2015 the Governing Body approved draft revenue budgets for 2015/16. Delegated authority was confirmed to the Accountable Officer to finalise necessary adjustments to reflect the outcome of the 2015/16 contract round.

For 2015/16 the CCG's confirmed total revenue allocation is £407.04m.

- £400.49m relates to Programme expenditure
- £6.55m relates to the CCG's running costs.

The maximum expenditure for the year is £402.34m for the CCG to deliver its required surplus.

The budget includes a minimum level of net QIPP savings at £7.64m for 2015/16. The Governing Body has supported stretching the QIPP planning values to £12m.

The start revenue budget is affordable within the CCG confirmed allocations, and supports the CCG's existing Operating Plan for 2015/16. It delivers, the key planning requirements of the NHS England planning guidance, The Forward View into Action: Planning for 2015/16, as follows:

- Maintains the CCG's reported year end forecast surplus as at Month 9 2014/15
- 0.5% general contingency
- 1% non-recurrent budget set aside, including support for managing risk and for transformational change
- Better Care Fund transfer
- Seasonal resilience planning
- Mental Health Parity of esteem investment

CORPORATE AND STRATEGIC OBJECTIVES

The 2015/16 start revenue budget is aligned to the published CCG allocations, the 2014/15 to 2015/16 Operating Plan and national and local planning assumptions.

CONSULTATION HISTORY:

2014/15 Start Revenue Budget and 2015/16 Provisional Budgets - Governing Body 5th June 2014

2015/16 Draft Revenue Budget – Governing Body 8th January 2015 and March 2015

PUBLIC ENGAGEMENT

None

HEALTH INEQUALITY DUTY AND GENERAL EQUALITY DUTY

The CCG's financial plans support the strategic and operational commissioning plans and objectives which include delivering the health inequality and the public sector general equality duties

STAKEHOLDER INVOLVEMENT

To be communicated to the GP Membership.

To be discussed by the Governing Body in public

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NHS Lewisham Clinical Commissioning Group 2015/16 Revenue Budget

1. Introduction

In June 2014 the Governing Body agreed provisional revenue budgets for 2015/16. In January 2015, the Governing Body received an update which drew on 2014/15 actual and forecast expenditure, planning priorities and the new 2015/16 allocations published in December 2014. In March 2015 the Governing Body approved the start revenue budgets following a process of challenge and agreement with CCG directors. Final adjustments to reflect the outcome of the 2015/16 contracting round were delegated to the Chief Officer. This paper presents final start revenue budgets for 2015/16 that form part of our 2015/16 operating plan.

The Chief Financial Officer will inform the Governing Body of any material budget changes throughout the year through the monthly Finance Report.

2. Recommendation

The Governing Body is asked to note the final revenue expenditure budgets for 2015/16

3. Summary Revenue (Income) and Expenditure Position

- 3.1 For 2015/16 the CCG's total revenue resource limit is £407.04m, comprising £400.49m for Programme expenditure and £6.55m maximum for the CCG's running costs.
 - 3.2 To enable the CCG to deliver its required surplus the maximum expenditure for the year is £402.34m. In order to maintain CCG expenditure at a maximum of £402.34m, a minimum level of net savings of £7.64m will be required in 2015/16, using the Quality, Innovation, Productivity and Prevention (QIPP) framework.
 - 3.3 Table 1 summarises the revenue budget for 2015/16, showing revenue resource limit, required surpluses, planned net expenditure and minimum savings targets.
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Table 1: CCG Allocation

Start Revenue Budget	£m
Revenue Resource Limit - Programme	384.61
Seasonal Resilience allocation	2.01
Additional Better Care Fund allocation	6.27
Return of 2014/15 surplus (non recurrent)	7.60
Total Programme Allocation	400.49
Running Cost Allocation	6.55
Total Planned Allocation	407.04
Forecast Expenditure	402.34
Planned Surplus	4.70
QIPP Savings Requirement	(7.64)

4. Revenue Resource Limit (Allocation), Target and Distance From Target

- 4.1 The CCG recurrent Programme allocation for 2015/16 is £386.62m. Included in the CCG's Programme allocation is £2.014m specifically for seasonal resilience. It should be assumed that no additional in year funding will be made available by NHS England during 2015/16. The £6.27m BCF transfer is additional to this.
- 4.2 The CCG has received funding growth of 3.87% in year. This compares to national CCG floor for growth of 1.94%. When compared to NHS England's weighted capitation formula for determining CCG allocations this puts the CCG 0.5% below target for 2015/16.
- 4.3 Separate allocations are received for Programme expenditure and for CCG Running Cost Allowances (RCA). The RCA maximum allowable expenditure for NHS England and CCGs (£25 per head in 2014/15) reduces by 10% in 2015/16. The CCG RCA limit is therefore approximately £22.50 per head. The RCA for the CCG for 2015/16 is £6.552m.

5. Expenditure Budgets

- 5.1 For 2015/16 the maximum expenditure budget for the CCG is £402.34m. This allows the CCG to maintain its 2014/15 Month 9 reported surplus in line with NHS England rules regarding drawdown.

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5.2 The main planning assumptions in developing the start revenue budgets are outlined in Table 3 below and are in line with NHS England's Planning guidance, The Forward View into Action: Planning for 2015/16, below:

- The CCG is required to plan for a 0.5% general contingency on a recurring basis
- For 2015/16 the CCG is required to set aside 1.0% of its total programme allocation for non-recurrent expenditure. This equates to £3.95m. The CCG has existing agreed plans that commit this to the implementation of the community based care strategies in support of the SEL Commissioning Strategy over 4 years to 2016/17.
- CCGs within South East London have agreed a framework for collaboration, as part of a local strategic planning group, to collectively manage risk, including possible mutual financial assistance. The CCG has set aside 0.5% of budget.
- The draft budgets reflect the effects of projected population and non-demographic growth. Population growth has been applied to activity based contracts and is based upon GLA/ONS projections.

Table 3: Key Assumptions

	<u>2015/16</u>
Allocation uplift	3.87%
Demographic growth	1.50%
Non Demographic growth	Various
Acute tariff deflator	(0.01)
Non acute tariff deflator	(0.02)
Enhanced tariff option	0.30%
Mental Health Early Intervention in Psychosis	0.35%
Mental health parity of esteem investment	3.87%
Prescribing	4.00%
Continuing care	2.00%
Non recurrent reserve	1.50%
Contingency	0.50%

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5.3 Table 4 shows the final start budget compared to the March 2015 draft.

Table 4: CCG Revenue Budgets

Revenue Budget	Draft at March 15	Final at May 15
	£m	£m
Acute	215.92	216.80
Community	28.90	29.11
Adult Joint Commissioning	75.80	78.16
Childrens Joint Commissioning	1.62	1.63
Prescribing	36.25	37.03
Corporate Budgets	1.28	1.28
Other, Reserves and Financing	19.98	18.58
Better Care Fund	16.04	13.19
Programme Total	395.79	395.79
Running Costs Total	6.55	6.55
Total Expenditure	402.34	402.34

5.4 The Adult Joint Commissioning budget reflects the Parity of Esteem funding commitment of a net increase in mental health funding and targeted investment at an at least equivalent rate to the CCG's 3.87% growth funding (£2.3m) and early intervention in psychosis investment.

5.5 The budget includes targeted investment (circa £1.5m) in elective activity for a sustained delivery the Referral to Treatment 18 week standard and reduction in patient waiting times at Lewisham and Greenwich Trust.

5.6 The budget includes £3.86m planned expenditure on seasonal resilience. This is £1.85m greater than the £2.01m allocation received by the CCG. This will be targeted towards services that will assist the sustained delivery of the A&E 4 hour standard by Lewisham and Greenwich Trust from October 2015. A further £1m has been committed towards the London Ambulance Service transformation business case.

5.7 The additional costs of providers opting for the Enhanced Tariff Option (£0.75m in 2015/16)

5.8 £6.5m of the total £21.7m Better Care Fund budget remains within the individual directorate budgets to match the CCG's underlying contractual commitments to be funded from the Better Care Fund.

6. Better Care Fund (BCF)

6.1 The Better Care Fund was announced as part of the 2013 Spending Round as a specific fund for health and social care services with the intention of integrating services for, in particular, older adults and people with disabilities, which in turn will lead to better outcomes and greater care system efficiencies.

6.2 In 2015/16 the CCG receives an additional allocation of £6.269m as part of the Better Care Fund. The CCG's contribution to the Better Care Fund from 2015/16 will total be £19.7m as follows:

£6.27m relates to historic pre 2015/16 funding (to be sourced from specific CCG 2015/16 allocation)

£1.71m relates to historic reablement funding

£0.78m relates to historic carers break funding

£10.99m additional transfer as per 2013 Spending Round (to be sourced from published CCG 2015/16 allocation).

6.3 The Lewisham Better Care Fund will comprise, as a minimum, £19.7m of health funding plus £1.4m of Local Authority funding; a total of £21.1m in 2015/16.

6.4 Much of the focus of the Better Care Fund is on establishing better co-ordinated and planned health and social care closer to home in the community, thus relieving pressure on acute services and reducing avoidable emergency hospital admissions.

6.5 It is important to note that most of the NHS funding that has been announced is **not** new money. The majority of funding to be transferred from the CCG to the Better Care Fund is money that is already committed to paying for existing health services

7. Quality, Innovation, Productivity and Prevention (QIPP)

7.1 In order to support its budget position the CCG has identified the requirement to deliver at least £7.64m of QIPP savings in 2015/16. This is the minimum QIPP savings required to be delivered in order to meet, on a planning basis, the CCG's statutory financial duties and the annual surplus required by NHS England.

7.2 The Governing Body has agreed to stretch the QIPP target to approximately £12m for 2015/16 in order to mitigate potential shortfall and/or slippage in delivery and to improve the CCG's ability to invest in transformational change from a financially sustainable position.

8. Financial Sustainability

8.1 The CCG targets an underlying surplus position of 2.0% of its allocation for each and every year (comprising 0.5% general contingency plus non recurrent budgets). The reduction in the position between years reflects the change in the requirement for CCGs to set aside non recurrent budgets (from 2.5% in 2014/15 to 1% in 2015/16). See table 5.

Table 5: Financial Sustainability

	201415	201516
Underlying position - Surplus/ (Deficit) Cumulative £'000s	17,560	9,165
Underlying position - Surplus/ (Deficit) %	4.63%	2.29%

9. Co-commissioning

9.1 The CCG's published allocations and this budget excludes primary care and specialised services. Separate work streams will determine the CCG allocations and financial implications if and when full commissioning responsibility transfers. Co-commissioning arrangements are in place for primary care in 2015/16. The primary care commissioning budget has not been delegated to the CCG.

Tony Read
Chief Financial Officer
May 2015