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ITEM 11b NHS
Fylde and Wyre
Clinical Commissioning Group

GOVERNING BODY MEETING

Date of meeting	Tuesday 20 January 2015	**Agenda item number**	11 (b)
Title of report	Financial Allocations 2015/16		
Paper Presented by:	Iain Stoddart, Chief Finance Officer		
Paper prepared by:	Iain Stoddart, Chief Finance Officer		

CCG strategic objective supported by this paper: (please tick ✓)	Develop and maintain an effective organisation	✓
	Commission high quality, safe and cost effective services which reduce health inequalities and improve access to healthcare	✓
	Effectively engage patients and the public in decision making	✓
	Develop excellent partnerships which lead to improved health outcomes	✓
	Make the best use of resources	✓

Purpose of report
In the context of the 2015/16 Planning Guidance to inform the Governing Body on the Financial Allocations made to the CCG for 2015/16 and to consider some of the early implications therein.
Recommendation
The Governing Body is requested to note the contents of this report and the further work that will be undertaken as part of a unified CCG planning process leading to the agreement of detailed financial plans and agreement by the CCG.

Please indicate which Group this has been discussed with (please tick ✓)			
Executive Management Team		Quality Improvement and Governance Cttee	
Clinical Commissioning Committee		Finance and Performance Committee	
Audit Committee		Remuneration Committee	
Council of Members		Other/Not Applicable	
Patient and Public Engagement:		Commissioning plans stemming from 2015/16 planning round; associated transparency of financial and procurement arrangements with stakeholders.	
Equality Impact Assessment:		To be considered as part of commissioning plans and as business cases progress in line with prioritisation factors	
Resource Implication(s):		Annual financial planning process and distribution of resources. Lower than expected net receipt of allocations in 2015/16 therefore by implication some re-prioritisation of commissioning plans in line with CCG strategic intent.	
For further information please contact:		Iain Stoddart – 01253 306440	

Fylde and Wyre Clinical Commissioning Group

Agenda item 11 (b)

GOVERNING BODY MEETING – TUESDAY 20 JANUARY 2015

FINANCIAL ALLOCATIONS 2015/16

1 Background

Fylde and Wyre Clinical Commissioning Group (CCG) was informed of its financial allocations for 2015/16 on 19th December 2014. This formed part of the overall allocations to the NHS system, stemming from the NHS England Board meeting on 17th December 2014.

The letter to CCGs (Gateway reference 02783) from the NHS England Chief Financial Officer (Paul Baumann) is reproduced in full as an attachment to this report.

These allocations supplement the information in the general planning guidance, but have particular emphasis for each CCG. This report will **not** focus on the generality of allocations, but will highlight the specific nuances applicable to Fylde and Wyre CCG and indicate the approach over the coming months to deliver against financial planning targets that equally support the strategic and operational requirements as established by the CCG.

2 Comparator Assumptions in December 2013

A revised methodology for allocating funds to CCGs was introduced in 2014/15. This changed the basis of those CCGs that were either over target (too much funding compared to national formula assumptions) or under target (too little funding compared to national funding formula assumptions).

The shift of CCGs to the target formula over a period of time is referred to as the pace of change.

In December 2013 the headline allocations and metrics suggested that in 2015/16 the CCG would be close to 3% over target funding; Have an allocation per head of £1,331; Have a population of 152,232 and a programme baseline of £202,641

3 Financial Allocations Announced in December 2014.

The following table summarises the specific allocations to the CCG; both real and indicative. Those shaded in blue are confirmed allocations, apart from the GP services until confirmed separately by NHS England as part of the bid for delegated responsibility.

NHS Fylde & Wyre CCG Allocations	2014/15	2015/16	Change £'000	Change %
CCG Programme *	199,300	203,167	3,867	1.94%
CCG Admin	3,621	3,248	-373	-10.30%
BCF funding (former s256) from CCGs not included in programme allocation	1,824	3,680	1,856	101.75%
Primary Care Indicative Baseline: GP Services	19,544	20,100	556	2.84%
Primary Care Indicative Baseline: Other	17,544	18,043	499	2.84%
Primary Care Total	**37,088**	**38,143**	**1,055**	**2.84%**
Specialised Services Allocation Mapped to CCG Level	**30,320**	**32,501**	**2,181**	**7.19%**
Total	**270,329**	**280,738**	**10,409**	**3.85%**

NB CCG Programme now includes resilience at an estimated £1,084k or 0.54% growth - ergo general growth is £2,783k or 1.4%

Those areas shaded in white are indicative and are likely to be the subject of discussion for future transfer in 2016/17.

Against the national values in the planning round it can be seen that programme allocations have only increased by 1.4% in real terms due to the fact that resilience monies are deemed to be built into CCG baselines. This is due to the CCG being above target funding and therefore allocation increases are at the lower end of those received by CCGs regionally and nationally. Only Lancashire North and East Lancashire are in the same position. This means that a more cautious assessment of plans moving forward is required to ensure stability of service development. From expectations last year this is a net detriment of £600k (assuming that resilience estimates remain at the same level as 2014/15). The CCG however remains at 2.97% over target (target being £196,797k).

CCG admin is a reduction of 10.3% on 2014-15 values. Whilst some improvement in the CSU recharged values has been reached, further work on the totality of running costs needs consideration. This is a net detriment of £112k from allocation expectations last year.

BCF funding is as per expectations and is a significant increase on the level of former s256 monies paid by NHS England through to Lancashire County Council. This should go some way towards mitigating pressures on existing local authority services that will form part of the Better Care Fund.

Primary Care is an indicative baseline for GP services. This is being worked through as part of the financial due diligence approach and also need to take account of GP estate and IM&T requirements.

Primary Care Other and Specialised Commissioning have been mapped at a CCG level using various methodologies and to assist in future planning for these services. There is likely to be a marginal change in scope for up to 4 specialised services that have been recommended to transfer to CCGs in 2015/16. **[renal dialysis, morbid obesity, specialist wheelchairs & GP referred neurology outpatients]** This is subject to consultation and then likely to be known at the end of January when post consultation adjustments will be made. There is also a 50/50 gain share approach between specialised commissioners and CCGs to constrain demand pressures moving into tertiary care.

4. Other Allocations – Held Centrally

There are various funds being held centrally against which the CCG can bid:-

- Vanguard Fund for new models of care - £200m nationally to support and promote transformation in local health economies
- New deal for primary and community care infrastructure - £250m per year for the next 4 years
- £400m drawdown for strategic investment purposes

Guidance on the arrangements for accessing the above funds are expected shortly; but the timelines for Vanguard are 2nd February and for drawdown are 23rd January. It is expected that the CCG will be making bids against these funding streams.

5. Costs and Pressures to be factored into Modelling.

There are a range of projected costs and pressures that need to be assessed against the identified allocations. These will be refined through the process of budget setting and an initial list discussed at the January Finance and Performance Committee, culminating in budgetary assessment at the February meeting and plan approvals by the Governing Body in March.

Particularly significant issues that the Governing Body may wish to note are:-

- Mental Health – parity of esteem requirements will necessitate an increase in investment in Mental Health and IAPT service equal to the CCG growth %. Between £250k and £350k
- Winter resilience – the basic requirement is to cover resilience funding at the same level as 2014/15. This means a £1,084k resilience fund as a basic requirement.
- Prescribing pressures; in particular from Category M drugs are likely to increase cost by c£500k
- The central legacy CHC risk share contribution has been set at £1.03m in 2015/16. This is an increase from the current £774k
- Pressures on CHC budgets and personalised budgets are estimated at impacting a further £500k in 2015/16
- Unscheduled care pressures in the system are forecast to impact on non-elective activity (£1.2m in 2014/15) and ambulance costs estimated at £600k
- Demand & demographic growth at modest 1% level would be a significant financial requirement. The exact levels need to be determined with reference to public health colleagues.
- Neighbourhood developments for new models of care are substantial; especially if the forecasted requirements on community provision are included.
- Other costs of direct commissioning need to be accounted for especially in relation to estates and IM&T infrastructure requirements.

Other aspects of mitigation to note are:-

- The impact of tariff deflator to be worked through acute contracts is likely to be 1.85% or £1.85m minimum.
- Non recurrent drawdown of surplus would generate c£770k

- Any surplus of CHC risk pool is likely to be returnable to the CCG over the financial year and through a specified drawdown process.
- QIPP Plan development at a total level estimated at 1.5% would yield c£3m. After tariff deflator then a package of schemes would have to be generated at £1.2m

  The above aspects would be worked through the financial modelling for the CCG to ensure that it can meet its key financial duties and delivery against strategic plans.

6 Recommendation

The Governing Body is asked to:-

1. note the contents of this report and the further work that will be undertaken as part of a unified CCG planning process leading to the agreement of detailed financial plans and agreement by the CCG.

2. Note that some delegated decisions will have to be made to comply with timetabling requirements

Iain Stoddart

Chief Financial Officer

ITEM 11b

NHS England

Gateway Reference 02783

To: CCG Clinical Leaders

Cc: CCG Accountable Officers
CAFWG members
Allocations Steering Group members
NHS England EGM
NHS England Regional Directors
NHS England Area Directors
NHS England Regional Finance Directors
NHS England Area Team Finance Directors

Paul Baumann
Chief Financial Officer
NHS England
Skipton House
80 London Road
London
SE1 6LH

paul.baumann@nhs.net

19 December 2014

Allocations 2015/16

Following the NHS England Board meeting on 17 December 2014 I write to confirm the CCG allocations for 2015/16, the primary care allocation for 2015/16, the notional split to CCG level to support the primary care co-commissioning agenda, and the indicative specialised commissioning budget by CCG for 2015/16. The notional allocations for primary care and specialised commissioning are for information only, though you will be aware that CCGs are able to apply to have the GP services element of the primary care allocation fully delegated to them in line with primary care co-commissioning.

As you know, £1.98bn of additional investment in the NHS in England was announced in the Autumn Statement on 3 December 2014. This means that our growth next year compared with the total funding available in 2014/15 (including non-recurrent funding provided to us during the year), amounts to £3.0bn, a real terms increase of 1.6%, in line with the funding ambition outlined in the Forward View. Our revised total funding of £101.7bn is £1755m higher than the previously announced indicative allocations. In addition, we have a further £75m of capital funding as part of the primary/out of hospital care infrastructure programme, and NHS England itself will be adding a further £150m of purchasing power through efficiencies and reprioritisation in its central budgets.

Further details of these funding arrangements and the allocations approved by the Board are contained in the Board paper *Allocation of resources to NHS England and the commissioning sector for 2015/16* (paper reference NHSE121403: http://www.england.nhs.uk/wp-content/uploads/2014/12/item5-board-1214-fin.pdf)

In deploying the additional funding we are seeking to fulfil the following objectives:

- To create momentum in the implementation of Forward View strategies by creating a £200m investment fund to promote transformation in local health economies, with a particular focus on investment in the new care models set out in the Forward View document. The first year of this fund will allow us to pump-prime a number of test sites during 2015/16. More detail on the arrangements for this fund will be set out in *Forward View into Action: planning for 2015/16*, which will be published shortly.
- To deliver on the promise of a new deal for primary care by funding the first tranche of a £1bn four-year investment programme in primary and community care infrastructure, whilst also doubling the level of the Prime Minister's Challenge Fund to £100m. This means that total funding growth for primary care is, for the first time in recent years, greater than that provided for other local services. Within this, core funding growth for local primary care service commissioning will be increased by 2.3% - 0.6% more than the proposals published in December 2013.
- To make further progress with our work towards parity of esteem between mental and physical health services. As part of this wider effort, in 2015/16 NHS England will invest £80m to deliver new waiting time standards for mental health services. £40m of this spending will be on Early Intervention in Psychosis services, and will, as set out in *National tariff payment system 2015/16 – a consultation notice*, be funded through local contracts, recognising that it will require a combination of improving services and increasing activity. The remaining £40m is for improving liaison psychiatry services and reducing waiting times under the Improving Access to Psychological Therapies (IAPT) programme. This will be managed centrally and targeted towards those areas with greatest need. In addition, £30m of additional funding has been provided to improve treatment for children and young people with eating disorders, which will also be distributed on a national basis. The majority of mental health spending is in CCG allocations, where the planning document for 2015/16 states the expectation that mental health spending will grow in real terms at least as fast as each CCG's overall allocation in 2015/16.
- To favour pace-of-change options for CCGs which accelerate progress towards our stated goal of bringing all CCGs receiving less than their target funding to within 5% of target by 2016/17 whilst also directing funding towards distressed health economies.
- To eliminate the structural deficit in specialised commissioning, which will also then provide CCGs with a credible opportunity to share in any financial benefits from managing activity growth through the 50/50 local CCG/NHS England specialised services gain share arrangement which we are proposing to introduce to encourage commissioners to work more effectively together across the patient pathway.

- To enable earlier and more effective planning for seasonal resilience by including recurrent up-front funding of £400m in CCG, specialised and central allocations. Plans for the deployment of this money to the provider sector will be assured as part of the Operating Plan review process, and it is important to note that there will be no further allocations in year.
- To reconfirm plans to deliver 10% cash savings in CCG and NHS England administration costs for redeployment to the front line.
- To give CCGs priority access to the £400m drawdown available. The more accelerated pace-of-change options which we are now able to model and the recurrent funding of the specialised commissioning structural deficit should leave greater capacity to focus drawdown on strategic investments by CCGs. The arrangements for prioritising proposed drawdown will be set out shortly.

In developing the allocations we have fully updated our assessment of projected costs and pressures. This now takes account of our latest projections (including recurrent baseline adjustments) for 2014/15, the activity/cost assumptions underpinning the Forward View, our assessment of policy and Mandate requirements, and the proposed 2015/16 National Tariff.

CCG Allocations

The funding formula for CCGs adopted by the NHS England Board in December 2013 (including a specific adjustment for unmet need and inequalities of 10%, alongside the equivalent 15% adjustment for primary care) will continue to be used. We have established three principles for the £1.1bn of additional programme funding to CCGs on top of the previously published allocations for 2015/16:

- Firstly, no CCG should receive less funding in cash terms than was previously agreed in December 2013 to be allocated in 2015/16 (other than any recurrent baseline changes agreed in 2014/15);
- Secondly, all CCGs should receive at least real terms growth (1.4%, the revised GDP deflator) and their fair share of the now recurrent £350m resilience funding for CCGs on their recurrent baseline; and
- Thirdly, the remaining funding should be applied to accelerate the pace of change towards target allocations and in particular reduce the number of CCGs significantly under target.

These allocations do not include agreed CCG mergers, the allocations for which will be issued in due course by combining the published allocations.

Primary Care

We will continue to use the funding formula for primary care adopted by the NHS England Board in December 2013 (including a specific adjustment for unmet need

and inequalities of 15%). The primary care baseline has been uplifted to reflect:

- An adjustment to each geography to reflect the net change in their recurrent baseline made during 2014/15 (£55m);
- A correction to the financial value of the unmet needs adjustment subsequent to the 2014/15 allocation decisions (£13m); and
- A further increase in the allocation to local primary care teams in proportion to their unweighted populations (£61m).

Given that the direction of travel is to localise primary care commissioning as far as possible, we are not proposing to recalculate target and actual allocations based on the more consolidated sub-regional organisation being implemented for 2015/16, but rather to aggregate the allocations made to current Area Teams in order to create combined totals for each new NHS England commissioning geography.

Specialised Services

We have been working with specialised commissioners to develop accurate allocations for these services at CCG level based on uplifted historic expenditure in a way that is accurate and fair. These allocations are notional and are to support the development of the proposed 50/50 gain share arrangements with CCGs at commissioning hub level. We anticipate there being significant further work in verifying these baselines in the coming year to support the future development of potential options for more holistic place-based allocations.

This allocation is before any adjustments for potential changes in commissioning responsibilities. The Prescribed Specialised Services Advisory Group (PSSAG) recommended the transfer of four services from specialised commissioning to CCGs in 2015/16, with final decisions to be made following the end of the current consultation period in January. Should these services transfer we will update CCG allocations accordingly during the planning process.

Annexes

Annex A: summary of these allocations
Annex A: guidance notes

Annex B: details of the CCG programme and admin allocations
Annex B guidance notes

Annex C: primary care allocations by area team
Annex C: guidance notes

Annex D: notional specialised services allocations by CCG
Annex D guidance notes

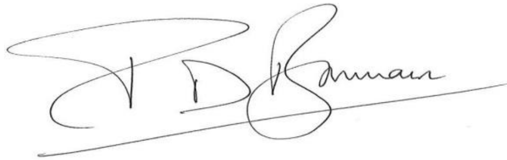
Please contact england.finance@nhs.net if you have a query regarding the information contained in this note.

Please could Clinical Leads forward this letter to their Chief Financial Officers and bring it to the attention of their Governing Bodies.

I would like to thank members of the Commissioning Assembly Finance Working Group and the Allocations Steering Group for their invaluable help and advice in developing these proposals.

May I also take this opportunity to thank you for your many achievements and fruitful collaboration in 2014, and to wish you a well-deserved break. I look forward to working with you in 2015.

Yours sincerely,



Paul Baumann
Chief Financial Officer