

**NHS VALE OF YORK CLINICAL  
COMMISSIONING GROUP**

**GOVERNING BODY MEETING**



Vale of York  
Clinical Commissioning Group

**Meeting Date: 4 April 2013**

**Report Sponsor:**

Adrian Snarr, Director of Finance and Contracting

**Report Author:**

**1. Title of Paper: Operational Financial Plan 2013/14 for Programme and Running Costs**

**2. Strategic Objectives supported by this paper:**

This paper is a key element of financial governance and control for the CCG and will contribute to the delivery of the strategic plan.

**3. Executive Summary**

This paper sets out the revenue budgets plan for 2013/14. Wherever possible budgets will be supported by agreed and signed contracts however that process is still underway. The paper details separate analysis for Programme expenditure budgets and running cost budgets. It also details other financial requirements the organisation needs to achieve. Including

- Better Payments Practice Code
- Cash management and control
- Capital

**4. Introduction**

As part of the planning process for 2013/14 it is essential that the CCG sets robust budgets which will ensure that key national and local targets will be achieved. Following publication of "Everyone Counts" which is the key piece of planning guidance for CCGs for 2013/14, Vale of York CCG has developed an operational financial plan that meets the requirements of the framework. Considerable work has been undertaken during the last few months to derive these budgets and this document should be read in conjunction with the CCG Operational Plan for 2013/14 and within the context set out in the Financial Strategy which supports the CCG Strategic Plan.

## **5. Issues/options**

See main body of paper: Section 4 Risks

## **6. Risks relating to issues/options**

A risk assessment has been undertaken; the financial risk identified must be managed across the local health economy.

## **7. Finance / resource implications**

The CCG has a statutory duty to break even, in addition there is a range of national planning assumptions that must be considered as part of our plan approval.

## **8. Statutory/Regulatory/Legal Implications**

The PCT has a statutory duty to breakeven at the end of the financial year.

## **9. Working with stakeholders/communications**

Budgets have been built up as part of the Strategic Plan which has involved clinicians from Practice Based Commissioning Consortia and the Clinical Executive, local stakeholders and partners.

Team briefs will be issued following Board approval.

## **10. Action Required**

The Board is asked to:

1. Approve the revenue and capital budgets for 2011/12.
2. Give delegated authority to the Director of Finance and contracting to agree final contracts with the PCT's main providers.

## **11. Assurance**

Monthly reporting through the Performance Dashboard..

# NHS VALE OF YORK CLINICAL COMMISSIONING GROUP

## Governing Body Meeting: 4 April 2013

### Operational Financial Plan 2013/14 for Programme and Running Costs

#### 1. Introduction

- 1.1 As part of the planning process for 2013/14 it is essential that the CCG sets robust budgets which will ensure that key national and local targets will be achieved. Following publication of "Everyone Counts" which is the key piece of planning guidance for CCG for 2013/14, the CCG has developed an operational financial plan that meet the requirements of the framework. Considerable work has been undertaken during the last few months to derive these budgets and this document should be read in conjunction with the CCG Operational Plan for 2013/14 and within the context set out in the Financial Strategy which supports the CCG Strategic Plan.
- 1.2 2013/14 will be another challenging year financially for the local health economy.
- 1.3 The purpose of this report is to seek governing approval for the proposed budgets as summarised below and detailed in Appendix 1 further analysis is also provided on the run rate position for the CCG, this is presented as per the plan and with some sensitivity analysis around QIPP profile delivery.

**Table 1 Operational financial plan for 2013/14**

Programmed Services	2013-14 £000's
<b>Expenditure</b>	
NHS & Non NHS Contracts <sup>(2)</sup>	£298,216
Primary Care	£49,716
Reserves <sup>(2)</sup>	£3,089
Deficit Repayment	£3,466
	<b>£354,487</b>
<b>Resources</b>	
Resource Allocation	£349,786
Growth	£8,045
	<b>£357,831</b>
<b>Net Surplus/ (Deficit)</b>	<b>£3,344</b>

(2) Financial adjustments include the NCB defund for specialist commissioning £20m, unallocated QIPP savings £3m, the 0.5% contingency of £1.7m plus a number of smaller reserves which will be held centrally to cover expected additional commitments on the CCG.

## 2. Process

2.1 The budget setting process started by identifying the CCG's recurrent financial position based on the November 2012 forecast Position. The CCG also undertook a detailed planning exercise and financial modelling to take into account activity requirements, necessary investments and a robust Quality and Productivity programme.

2.2 The key planning assumptions around growth inflationary uplift, quality payments and efficiencies as detailed in the Operating Framework have been included. . Those planning assumptions are

- There is a tariff uplift 2.9%
- There is a Non tariff uplift 2.9%
- That Tariff efficiency is 4%
- That Growth including demographic, activity and tariff change impact is 2.3%
- There is a QIPP of 3%
- The delivery of 1% surplus
- The retention of a contingency of 0.5%
- There is no new investment against the 70% non elective marginal rate
- There is no reinvestment of readmissions money
- There is no funding of reablement
- That the allocation adjustment for specialist services does not impact on the plan
- There are a range of risk sharing agreements in place with North Yorkshire CCGs covering continuing healthcare, funded nursing care, non contract activity and a high cost patient reserve
- Further collaborative working arrangements that do not involve financial risk share are also in place
- The cash allocation is assumed to be the same as the revenue allocation at this stage, a provisional cash profile is included with the plan adjusted for anticipated prescribing cash adjustments

2.3 Throughout the budget setting process the same criteria has been followed to ensure that all areas have contracts that are set at realistic and achievable levels.

2.4 A detailed assessment of unavoidable cost pressures has been undertaken which has identified the following areas for funding:

**Table 2 unavoidable cost pressures 2013/14**

<b>Cost Pressures</b>	<b>2011/12 (£k) Recurrent</b>	<b>2011/12 (£k) Non Recurrent</b>
Leeds and York Partnerships		1,000
Section 136 Place of safety	300	
Community services (1)	863	
Phlebotomy	300	
OOH/NHS 111	664	
Other	602	
<b>Total Cost Pressures</b>	<b>2,729</b>	<b>1,000</b>

(1) Community services costs pressure are identified contractual pressures, not new service developments

2.5 Secondary care contracts form a significant part of the CCG's budget and as such is where the greatest risk to financial stability lies. Contract negotiations are on-going, there are risks associated with the move to the new NHS architecture in particular for the disaggregation of specialist commissioning services.

2.6 There is a clear distinction for CCG between running costs and Programme costs, running costs are fixed at £25 per head of population and the total allocation for the CCG is £8,333,000. The proposed budget for running costs is summarised below

**Table 3 Running cost budget plan**

	<b>Running Costs 2013-14</b>
	£000's
<b>Resources</b>	
Resource Limit	£8,333
<b>Total</b>	<b>£8,333</b>
<b>Expenditure</b>	
CCG Pay Costs	£3,621
CSU Recharge	£1,959
Non pay	£2,753
<b>Total</b>	<b>£8,333</b>
<b>Net - Surplus/ (Deficit)</b>	<b>£0</b>

2.7 It is possible for budget virements to be made from running costs to programme costs but not the other way around.

2.8 The plan will be continually reviewed and updated throughout the year, from the point of view of good governance and strong financial control, it is important that managers are issued with budgets as soon as possible in the financial year. It is also important that the overall budget plan for the year in question identifies the key issues and major risks to the plan.

### 3. Quality and Productivity Programme (Q&P)

3.1 Throughout the planning process it is important that realistic budgets are set to ensure that we provide sufficient resource to meet the organisations objectives. This principle must also been applied to the QIPP programme to ensure that whilst challenging it is deliverable.

3.2 The main focus of this work will be around strategic redesign of services to enable significant reductions in secondary care activity. It is important however that we focus on all aspects of CCG commissioning plans.

**Table 4 QIPP programme**

	<b>Total - 2013/14 Net QIPP £000's</b>
<b>Transactional Productivity and Contractual Efficiency Savings</b>	
<i>Planned Care</i>	<i>(5,247)</i>
<i>Community services</i>	<i>(330)</i>
<i>Medicines use</i>	<i>(100)</i>
<i>Prescribing</i>	<i>(945)</i>
<b>Sub-total</b>	<b><i>(6,622)</i></b>
<b>Transformational Service Re-design and Pathway Changes</b>	
<i>Long Term Conditions</i>	<i>(448)</i>
<i>Urgent Care</i>	<i>(655)</i>
<i>Planned Care</i>	<i>(750)</i>
<i>Referral management</i>	<i>(112)</i>
<i>Other</i>	<i>(2,148)</i>
<b>Sub-total</b>	<b><i>(4,113)</i></b>
<b>Totals</b>	<b><i>(10,735)</i></b>

3.3 Project management arrangements to monitor QIPP deliver are to be put in place and are detailed in the overall CCG operational plan. In addition separate arrangements with the Area Team and NCB are to be put in place to satisfy our conditions of CCG authorisation, detailed action plans and milestones will be in place for each scheme.

## 4. Risk and Risk Management

### 4.1 Risk

There are numerous financial as well as quality and performance risks across local health economy.

- Delivery of a 1% surplus
- Acute Care, Demographic and other activity growth presents a risk, although an increase of 2.3% has been provided for in the plan we have not yet agreed growth assumptions with our main providers.
- The CCG's trading position with its main acute provider, York Hospitals Foundation Trust has historically been volatile and this may impact on CCG's 13-14 planning assumptions.
- The CCG QIPP plan targets significant reductions in acute activity (60%)
- There are numerous risks in relation to prescribing both in primary and secondary care, either as a result of new drugs or revised NICE guidance. The most significant of which is the extended use of Lucentis, which has caused financial pressure in previous years. A 1% uplift on primary care drugs budgets and the 2.3% growth indicated above for acute is intended to mitigate against those risks.
- The CCG has made an initial assessment of continuing healthcare retrospective claims dating back to 2004. There is a risk that once the assessments are complete there could be a material movement in the actual payments.
- The specialist commissioning allocation reduction represents a material risk to the plan, on-going local and national discussions to mitigate against the risk are underway, the CCG will continue to liaise with the Area Team to ensure a solution that minimises risk is in place for 1<sup>st</sup> April 2013.
- There is a potential impact on the current 2013-14 resource allocations for Vale of York and beyond, with a defund expected for Armed Forces to direct commissioning for the National Commissioning Board..
- SCG Activity late notification and impact on contract negotiations has been discussed with the Area Team and is still considered a limiting factor on signing contracts by 31 March 2013.

## 4.2 *Risk Management*

The risks in 2013/14 are substantial and the CCG will continue with the following arrangements in place to minimise the risk.

- **Collaborative improvement Board (CIB):**

The CCG will be a core member of the CIB and will include our main acute provider as well as neighbouring commissioners and the Local Authority

- **Finance and Contracting Committee:**

The work of this group will maintain focus and grip on the financial position.

- **Contract Management Boards:**

Contract Management Boards are in place with all the major providers and include both clinical and managerial representation. All CMB are chaired by the CFO. Core agendas include performance management, finance, activity and quality.

- **Devolved Budgetary Control:**

All budgets will have a named budget holder which will be an officer of the CCG. Monthly performance management of budgets will take place to ensure that any significant variances to budget are fully reported, investigated and resolved in a timely manner.

Budget managers will have access to accurate and timely information to enable them to manage their budgets effectively. Any training issues will be identified and advice and support will be given to assist budget holders in the monitoring and management of budgets.

In addition budgetary information will be provided at CCG level and we look to enhance practice level information.

## 5. **Capital**

It is not anticipated that CCG will hold capital resource. As commissioners we will be expected to contribute and approve any major capital schemes to be delivered by NHS Property services, we may also be asked to comment on any proposed primary care developments.



## 6. Better Payment Practice Code

6.1 The Better Payments Practice Code requires that all valid invoices should be paid by their due date or within 30 days of receipt, whichever is later. This is measured in terms of both the number and value of invoices received. There is a requirement to record NHS and Non-NHS Invoices paid both the number and their value in total and those paid within target as a percentage of the whole.

6.2 Performance will be presented to the Governing Body each month as part of our dashboard.

## 7. Cash planning

Cash planning is a new role for CCG as a statutory body, this was not a function we were required to monitor in shadow form. A cash plan has been prepared as part of our annual plan and a summary is included below

**Table 5 Anticipated monthly cash profile**

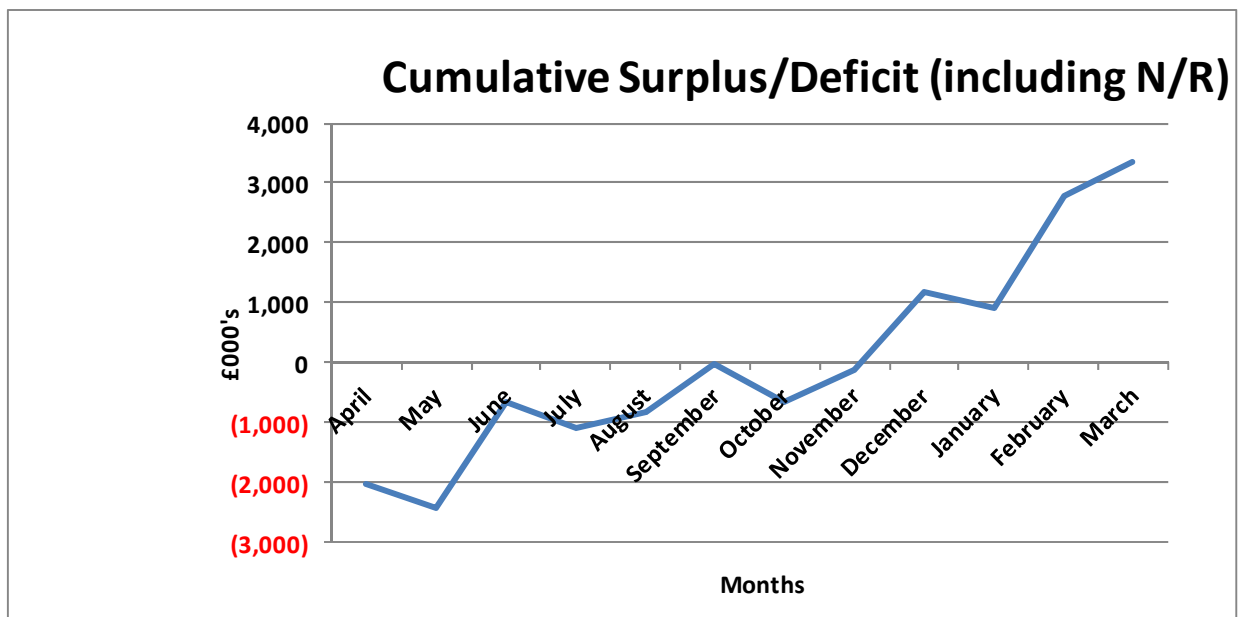
Vale Of York CCG - Cash Flow Forecast 2013-14														
	2013/14	April	May	June	July	August	September	October	Nov	Dec	January	February	March	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Receipts</b>														
Balance b/fwd		£328,530	£302,292	£275,617	£248,943	£221,095	£194,420	£167,745	£139,898	£113,222	£86,546	£59,407	£33,440	
BACS														
CHAPS														
NCB-Drawdown														
NCB-Drawdown additional														
Other														
PCS Payments Reimbursements														
VAT														
Capital Receipts														
<b>Total Receipts</b>		<b>£328,530</b>	<b>£302,292</b>	<b>£275,617</b>	<b>£248,943</b>	<b>£221,095</b>	<b>£194,420</b>	<b>£167,745</b>	<b>£139,898</b>	<b>£113,222</b>	<b>£86,546</b>	<b>£59,407</b>	<b>£33,440</b>	<b>£0</b>
<b>Payments</b>														
Creditors NHS	£268,753	£22,182	£22,407	£22,407	£22,439	£22,407	£22,407	£22,439	£22,407	£22,407	£22,439	£22,407	£22,405	£268,753
Creditors CHAPS	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Salary CHAPS	£2,112	£176	£176	£176	£176	£176	£176	£176	£176	£176	£176	£176	£176	£2,112
Pensions	£539	£0	£49	£49	£49	£49	£49	£49	£49	£49	£49	£49	£49	£539
Tax & NI	£847	£0	£77	£77	£77	£77	£77	£77	£77	£77	£77	£77	£77	£847
Standing Orders /Direct Debits	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
PCS Payments	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other	£48,803	£4,503	£4,589	£4,589	£5,730	£4,589	£4,589	£5,730	£4,590	£4,590	£5,021	£3,880	£3,880	£56,279
Capital Receipts	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
<b>Total -Expenditure</b>	<b>£321,054</b>	<b>£26,861</b>	<b>£27,298</b>	<b>£27,298</b>	<b>£28,471</b>	<b>£27,298</b>	<b>£27,298</b>	<b>£28,471</b>	<b>£27,299</b>	<b>£27,299</b>	<b>£27,762</b>	<b>£26,589</b>	<b>£26,587</b>	<b>£328,530</b>
Balance c/fwd		£301,669	£274,994	£248,320	£220,472	£193,797	£167,122	£139,275	£112,599	£85,923	£58,784	£32,817	£6,853	

## 8. Run Rate

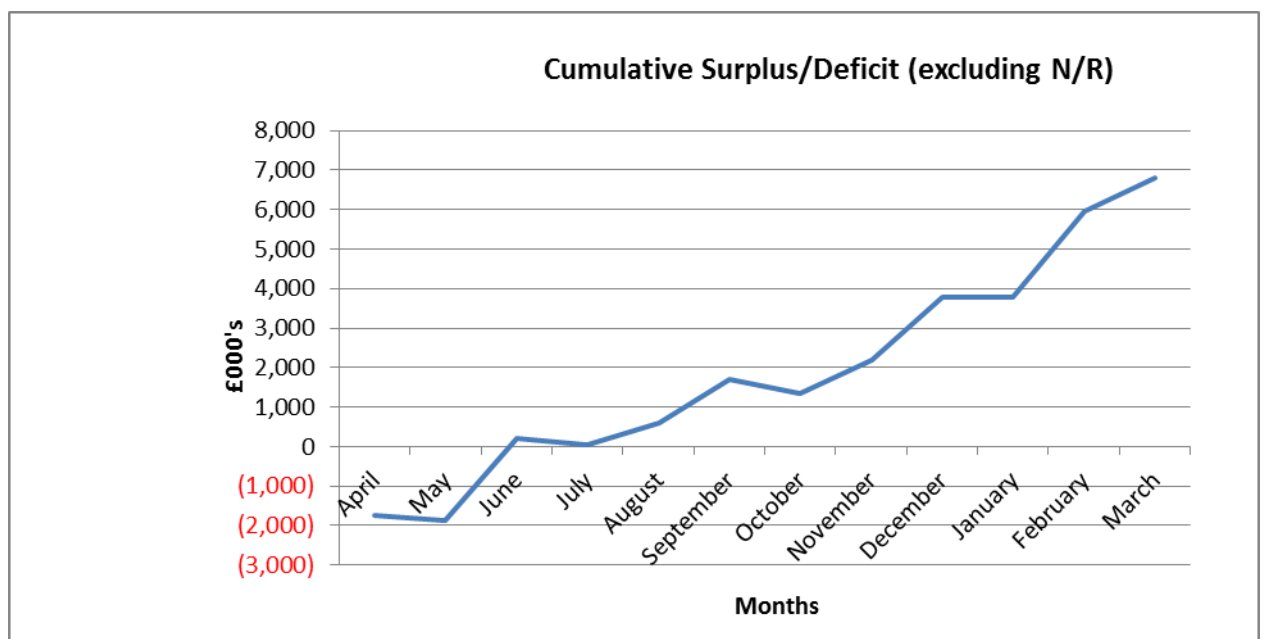
8.1 An important measure for the CCG is to demonstrate the point at which we will be back into recurrent balance .the graph below is shows that with full delivery of our proposed plan including full QIPP delivery and robust contract control this would be achieved in June.

8.2 This assumption is based on an income profile in equal twelfths but and expenditure profile aligned to activity and QIPP trajectories.

**Chart 1: Cumulative Run Rate (including non recurrent)**



**Chart 2: Cumulative Run Rate (excluding non recurrent)**



**9. Action Required**

The Governing Body is asked to:

- 9.1 Approve the operational plan and revenue budgets for 2013/14 included both programme and running costs.
- 9.2 Give delegated authority to the Accountable officer and Chief Financial officer to agree final contracts with the CCG main providers within the boundaries of the proposed plan.

## Appendix A

<b>Value of York CCG - 2013-14 Annual Plan</b>		
<b>Programmed Services</b>		
	<b>2013-14</b>	
	<b>£000's</b>	<b>%</b>
<b>Commissioned Services</b>		
York Hospitals Foundation Trust (Acute services)	£170,693	48.15%
York Hospitals Foundation Trust (Community Services)	£15,337	4.33%
York Hospitals MSK	£1,989	0.56%
Harrogate District Foundation Trust (Acute services)	£1,383	0.39%
Harrogate District Foundation Trust (Community services)	£9,165	2.59%
Yorkshire Ambulance Service	£12,762	3.60%
Leeds Teaching Hospital Trust	£12,518	3.53%
Leeds & York Partnership NHS Foundation Trust	£32,173	9.08%
Ramsey Hospital - clifton park york	£7,273	2.05%
Hull & East Yorkshire NHS Trust	£3,570	1.01%
Nuffield Hospital - York	£3,222	0.91%
Mid Yorkshire	£2,001	0.56%
Tees Esk & Wear Valley MH	£1,387	0.39%
South Tees Foundation Trust	£1,397	0.39%
<b>Total Major NHS Contracts above £1m</b>	<b>£274,873</b>	<b>77.54%</b>
Other NHS Contracts below £1m.	£3,470	0.98%
NHS Non Contract Activity	£5,050	1.42%
Private Providers contracts below £1m	£1,196	0.34%
Other NHS Commissioning	£717	0.20%
NCB Specialist Adjustment	-£19,662	-5.55%
<b>Total NHS contracts</b>	<b>£265,644</b>	<b>74.94%</b>
Other Non NHS under £1m	£3,234	0.91%
Hospice payments	£1,192	0.34%
Pooled Budgets	£566	0.16%
Continuing Care	£23,123	6.52%
Funded Nursing Care	£4,457	1.26%
<b>Total Non NHS Contracts</b>	<b>£32,571</b>	<b>9.19%</b>
<b>Total Commissioned Services</b>	<b>£298,216</b>	<b>84.13%</b>
<b>Primary Care</b>		
Enhanced Services	£1,732	0.49%
Prescribing	£47,984	13.54%
<b>Total Primary Care</b>	<b>£49,716</b>	<b>14.02%</b>
Reserves	£3,089	0.87%
Deficit Repayment	£3,466	0.98%
<b>Total other</b>	<b>£6,555</b>	<b>1.85%</b>
<b>Total Programme Services</b>	<b>£354,487</b>	<b>100.00%</b>
<b>Resources (Programme )</b>		
Resource Allocation	£349,786	
Growth 2.3%	£8,045	
<b>Total Resources</b>	<b>£357,831</b>	
<b>Net Position Surplus/ (Deficit)</b>	<b>£3,344</b>	