

Surrey Downs Clinical Commissioning Group

| | |
|--|--|
| Title of paper: | Operating Budget 2013/14 |
| Author: | Keith Edmunds |
| Exec Lead: | Keith Edmunds |
| Date: | 8 May 2013 |
| Locality: | All |
| Meeting: | Governing Body 17 th May 2013 |
| Agenda item: | 6 |
| For: | For discussion |
| Brief summary: This paper provides an update on the development of Surrey Downs CCG's operating budget for 2013/14 and of agreement of contracts with providers. It highlights key issues yet to be resolved and key financial risks. | |
| Quality and patient safety issues: Quality and patient safety are key considerations in contract discussions | |
| Financial issues: The CCG has a duty not to exceed its resource allocation | |
| Workforce issues: Not directly considered here | |
| Statutory compliance: The CCG has a duty not to exceed its resource allocation | |
| Conflicts of interest: None directly related to this paper | |
| Risk and assurance: Key financial risks are identified in this paper | |
| Accompanying papers (please list): Operating Budget 2013/14 | |

Operating Budget 2013/14

This paper provides an update on the development of Surrey Downs CCG's operating budget for 2013/14 and of agreement of contracts with providers. It highlights key issues yet to be resolved and key financial risks.

CCG financial duties and national planning framework

Surrey Downs CCG has a statutory duty not to exceed its resource allocation. For 2013/14, the resource allocation is:

- For health care programmes £314m
- Running cost allowance £7m

The resource allocation for healthcare programmes is equivalent to £1,080 per annum, per person for Surrey Downs registered population of 289,000.

The resource allocation is derived from a baseline costs exercise conducted in early 2012/13, based on PCT budgets, together with an annual growth uplift of 2.3%.

It is recognised nationally that some corrections and adjustments to the baseline exercise will be required to ensure that funding and costs are in the right places, and that these adjustments may continue throughout this year. This is most significant in relation to specialised commissioning, where a national exercise is underway to revisit the split of acute sector costs between CCGs and NHS England's Specialised Commissioning teams. This budget reflects the transfer of £43m to Specialised Commissioning, which was included in the baseline exercise. It is not yet possible to confirm what adjustment to this may be required and what impact this may have on the overall financial position.

A separate national exercise is also underway to review the data collection for property costs, reflecting a national policy decision to attribute property costs on a geographical rather than population basis. This budget is prepared on the basis that any changes arising from this exercise will be cost neutral to Surrey Downs (Risk estimated up to £2.5m). At a local level, Surrey Downs CCG is working with the other Surrey CCGs and the Area Team to agree a series of smaller adjustments, totalling £6.5m in favour of Surrey Downs, reflecting better information now available. This budget reflects those expected adjustments.

Expenditure plan

The table below summarises the operating budget for 2013/14. The assumptions underpinning this budget are described in this paper. Appendix 1 provides a comparison with the Shadow CCG share of the NHS Surrey budget and the 2012 baseline exercise.

ATTACHMENT 4

| Operating budget 2013-14 | £m |
|--|--------------|
| Resources: | |
| Resource allocation (£314m) and running cost allowance (£7m) | <u>321.0</u> |
| Expenditure plan: | |
| Acute hospital services | 187.8 |
| Mental health | 24.1 |
| Community services | 27.1 |
| Continuing Health Care | 23.1 |
| Prescribing, Primary care and voluntary sector | 43.4 |
| 2% non-recurrent spend and contingency (£1.6m) | 7.9 |
| Running costs | <u>6.1</u> |
| Total expenditure | <u>319.4</u> |
| Planned surplus | <u>1.6</u> |

Acute hospital services

Almost two thirds of the CCG's budget is committed to the acute hospital sector, predominantly under the payment by results (PbR) regime. The budget for acute hospital services has been set on the 2012/13 baseline, adjusted for:

- the estimated CCG share of 12/13 overspend
- tariff deflation
- estimated overall growth and other cost pressures of 4% (£7.4m) offset by
- planned QIPP savings of £7.0m

Although contract processes have taken longer than would normally be expected, as a result of the transition to new commissioning arrangements, more than two thirds of the acute spend for 2013/14 has now been agreed. The table below provides an update on the current status of acute contract negotiations, and the progress since the previous report to the Governing body.

| Status of contract negotiations | Number of contracts | Value (£m) | % by value |
|---|---------------------|--------------|------------|
| Contract or heads of agreement signed | 7 | 126.9 | 68 |
| Trust proposals received and under review / negotiation | 17 | 50.3 | 27 |
| Trust proposal not yet received | 12 | 8.4 | 4 |
| Others, <£250k | 32 | 2.3 | 1 |
| Total | <u>68</u> | <u>187.8</u> | <u>100</u> |

ATTACHMENT 4

In parallel with contract negotiations with the major providers, work is continuing on compiling a contract database, to ensure Surrey Downs is capturing (and budgeting for) all the contracts transitioning to the Surrey Downs. This includes both those contracts formally transferred to the Surrey Downs, as well as those transferring to other CCGs, which will affect Surrey Downs.

Mental health and community services

The majority of mental health and community services are provided under existing 'block' contracts with Surrey & Borders Partnership, Central Surrey Health and Virgin Care.

Risk sharing and 'hosted' services

The six Surrey CCGs have agreed hosting and risk sharing arrangements for a number of services, including Continuing Healthcare (CHC), Mental Health and Learning Disability placements, as well as emergency ambulance services.

| Description | Total Budget | Surrey Downs Share | | Lead CCG |
|--|--------------|--------------------|--------------|------------------------|
| | £m | £m | % | |
| Continuing Care & Residential Nursing Home | 93.0 | 23.1 | 24.9% | Surrey Downs |
| Childrens Placements | 3.1 | 0.8 | 24.4% | Guildford and Waverley |
| Mental Health Placements | 12.1 | 2.1 | 17.0% | Farnham |
| Ambulance Service (emergency) | 33.4 | 8.2 | 24.4% | East Surrey |
| Total | 141.6 | 34.1 | 24.1% | |

These categories of expenditure are all ones where reliable data on costs at a CCG level has not been available. The risk sharing agreement is that any over- or under-spend will be shared by the CCGs in proportion to their agreed shares.

As the host for CHC, Surrey Downs will manage the gross budget of £93m, recharging the other Surrey CCGs for their share. Surrey Downs will also manage 1400 retrospective claims, the potential cost of which is not included in this budget. Claims will be charged first against the provision established by NHS Surrey at 31 March 2013. The final cost is, however, not yet quantifiable and any cost in excess of the provision established represents a risk for the Surrey CCGs.

ATTACHMENT 4

QIPP (Quality, Innovation, Productivity and Prevention) savings

Surrey Downs has budgeted for QIPP savings totaling £10.6 m. The major elements of the QIPP plan are as follows:

| QIPP savings | £m | |
|-------------------------|------|---|
| Acute | 7.0 | Mainly from reduced non-elective admissions and excess bed days (from Integrated care, Virtual wards, end of life care); application of contract terms; counting /coding challenges |
| Community Services | 0.4 | Agreed price reduction, in contract |
| Prescribing / medicines | 2.0 | Local projects, expected national price reductions |
| Running costs | 1.0 | Planned underspend on running cost allowance |
| Other | 0.2 | Specific projects |
| Total | 10.6 | |

The major part of our QIPP programme is directed towards the acute sector spend, since that represents 59% of the total budget. The QIPP target aims to control growth in acute spend, rather than achieve a year-on-year reduction.

Running costs

The running cost allowance is calculated at £25 per annum per person, based on adjusted population, amounting to £7.1m. CCGs are permitted to contribute any underspend on this allowance towards healthcare spend, but are not permitted to overspend the running costs allowance. Surrey Downs has budgeted for costs of £6.1m, contributing £1.0m towards the QIPP savings target. The table below sets out the main components of the running cost budget:

| | £m |
|---|-----|
| Governing body | 1.1 |
| Officers and staff | 1.0 |
| Localities and clinical leadership | 0.7 |
| Bought in commissioning support services (NHS South Commissioning Support Unit) | 2.4 |
| Other | 0.9 |
| Total | 6.1 |

The key services to be procured from NHS South CSU include: contracting and procurement; business intelligence; financial accounting and control; ICT and information governance.

ATTACHMENT 4

Reserves

In line with national planning requirements, this budget includes:

- 2% (£6.2m) of resource allocation set aside for non-recurrent costs
- a contingency of 0.5% (£1.6m)
- a planned surplus of 0.5% (£1.6m)

Surrey Downs plans to deploy the 2% non-recurrent budget to cover:

- share of costs associated with the Better Services Better Value programme
- share of transitional support for provider trusts
- implementation costs of QIPP projects
- additional contingency against unanticipated costs arising from the transition from NHS Surrey to the Surrey CCGs.

Key financial risks

The key financial risks identified are:

- acute sector activity growth exceeds expected level and / or planned QIPP projects do not achieve the expected impact
- cost of retrospective CHC claims exceeds provision established by NHS Surrey

In addition there are a number of risks arising from the transition of responsibilities from PCTs to CCGs, described above and including:

- further adjustment to specialised commissioning transfers (not quantifiable)
- property cost adjustments not cost neutral (risk £2.5m)
- baseline allocation adjustments not agreed (risk £6.5m)

GP IT services

The provision of IT services for GP practices is a responsibility of the national commissioning board, although this is delegated to CCGs. Surrey Downs CCG has commissioned GP IT services from NHS South CSU. Announcement of funding arrangements is expected shortly. The associated costs are not included in this budget.

ATTACHMENT 4

Capital expenditure

Surrey Downs has no specific capital resource allocation, nor does it expect to have any substantial capital expenditure. Any capital requirements will require an application, including business case, to NHS England.

Keith Edmunds
8 May 2013

Appendix 1

| Surrey Downs CCG | | | |
|--|-------------------|---------------------------------|-------------------------|
| Financial Plan - 2013-14 Overall Summary | | | |
| | FY 2012-13 | FY 2013-14 | |
| | Actual | Baseline budget exercise | Operating budget |
| | PCT Basis | CCG Basis | CCG Basis |
| | £M | £M | £M |
| Acute hospital services | 230.4 | 178.1 | 187.8 |
| Mental health | 27.9 | 23.7 | 24.1 |
| Community services | 30.8 | 26.0 | 27.1 |
| Continuing Health Care | 22.1 | 22.8 | 23.1 |
| Prescribing, Primary care, voluntary sector & Others | 100.6 | 41.0 | 43.4 |
| 2% non-recurrent spend and contingency (£1.5m) | 0.0 | 16.2 | 7.9 |
| Corporate costs / Running costs | 6.5 | 5.3 | 6.1 |
| Total | 418.4 | 313.1 | 319.4 |