

Agenda item: 8.3

Subject:	Financial Allocation (including consequences of PBR tariff changes)
Presented by:	Steve Ham, Chief Finance Officer, SNCCG
Submitted to:	South Norfolk CCG Governing Body
Date:	14th January 2014

Purpose of paper:

For information

Executive Summary:

NHS England have published their allocation of resources for 2014/15 and 2015/16.

SNCCG will receive an uplift of 2.22% in 2014/15 and 1.7% in 2015/16. Nationally the assumed efficiency gains to be made by CCGs is 3.2% in 2014/15 and 5.9% in 2015/16.

Following a decision by NHS England to include an adjustment for inequalities/unmet need, SNCCG's 2014/15 allocation is now deemed to be 0.55% above target, as opposed to the 3.7%, below target published in August 2013 which did not include any adjustment for unmet need. As a result of this, SNCCG will receive the minimum uplift in programme allocation in 2015/16.

Monitor and NHS England have jointly published the 2014/15 tariff, with an emphasis on minimal changes to preserve stability.

Key Risks	
Clinical:	N/A
Finance and Performance:	<i>Financial risks detailed in paper</i>
Impact Assessment (environmental and equalities):	N/A
Reputation:	<i>Reputational risk if SNCCG fails to meet its 13/14 financial targets</i>
Legal:	N/A
Resource Required:	
Reference document(s):	

GOVERNANCE

Process/Committee approval with date(s) (as appropriate)	N/A
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Recommendation to Governing Body:

The Governing Body is asked to note the 1415 and 1516 financial allocations and implications for planning.
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ALLOCATION OF RESOURCES – 14/15 and 15/16

1. Allocation of Resources to NHS England and the commissioning sector

- 1.1 In December 2013 the Board of NHS England met to determine the allocation of resources for 2014/15 and 2015/16. The key outcomes to note are:
- 1.2 Overall 3.1% uplift in 2014/15 CCG allocations, assumes a 3.2% efficiency saving; Uplift assumed to cover remaining CHC provisions, quality premium, mandate requirements and £5 per head for investment in primary care services for patients aged over 75.
- 1.3 1.8% uplift in 2015/16 CCG allocations, anticipates a 10% reduction in running costs and a 5.9% efficiency saving. Uplift assumed to cover £1.9bn better care fund uplift (to £3.8bn in total). CCGs will not be able to access surplus from 2013/14 in 2014/15 though it will be badged for access in 2015/16.
- 1.4 SNCCG uplift in 2014/15 is 2.22% including population growth and pace of change adjustment to move to indicative target. (Note the range of CCG funding uplifts in 2014/15 is between 2.14% and 4.92%). This represents a programme allocation per head of £1,051, up from £1,032 in 2013/14.
- 1.5 SNCCG’s Indicative Allocation published in August 2013 suggested that SNCCG was funded, in 2013/14, almost £9m below a target programme allocation of £1,086 per head. NHS England have revised their indicative target to include a 10% quantum for inequalities/unmet need. As a result of this change, SNCCG is now deemed to be funded, in 2014/15, £1.3m or 0.55% above target. The allocations to Norfolk and Waveney CCGs, together with their indicative distance from target (DFT) are detailed in table 1.

Table 1: Norfolk and Waveney CCGs 2014/15 programme allocations

	2014/15	DFT 2014/15
Great Yarmouth & Waveney	+2.14%	4.86%
North Norfolk	+2.14%	6.26%
Norwich	+2.25%	-0.93%
South Norfolk	+2.22%	0.55%
West Norfolk	+2.14%	1.10%

- 1.6 SNCCG uplift in 2015/16 is 1.7%, including population growth. (Note the range of CCG funding uplifts in 2014/15 is between 1.7% and 4.49%).
- 1.7 The Business Rules required by NHS England in 2014/15 include a 0.5% contingency; a 1% surplus; and 2.5% non-recurrent spend (1% transformation and 1.5% movement towards better care fund). The requirements for 2015/16 are the same except that the non-recurrent spend requirement is lowered to 1% and the better care fund will need to be funded in full.
- 1.8 NHS England has maintained a 30% marginal rate, above 08/09 baseline, for non-elective care. There is now a requirement to agree the utilisation of the 70% balance with acute providers.

2. 2014/15 National Tariff System

- 2.1** In December 2013, NHS England and Monitor published the 2014/15 National Tariff System, which follows a period of consultation that finished on 4th November 2013. The final rules and policies are materially similar to those set out in the consultation notice.
- 2.2** Monitor's approach to the national currencies and prices in 2014/15 is to keep relative prices stable. The limited changes to PbR currencies are not material but include:
 - 2.2.1** Introducing new arrangements for laparoscopic operations, complex therapeutic endoscopy, complex bronchoscopy and dialysis for acute kidney injury;
 - 2.2.2** Changing the design of some currencies to rectify identified anomalies;
 - 2.2.3** Introducing a new best practice tariff for primary hip and knee replacements;
 - 2.2.4** Introducing a new mandatory price for health assessments of looked after children.
- 2.3** An efficiency requirement of 4% will be applied for 2014/15.
- 2.4** On average, and not taking into account CNST costs, prices for 2014/15 are assumed to be 1.5% lower than their corresponding prices in 2013/14. Non-acute services are assumed to be 1.8% lower and the impact of CNST is estimated to be 0.3%
- 2.5** NNUH have run the 2013/14 activity through the 2014/15 grouper and have identified that tariff prices do indeed result in a reduction of 1.2% for PbR activity and 1.5% for non-PbR activity, in line with national assumptions.

3. Financial impact of Allocation and Tariff on SNCCG

- 3.1** The 2014/15 planning assumptions are broadly in line with the planning assumptions used to complete SNCCG's Financial Recovery Plan (FRP). Over the coming weeks, agreement of contracts will allow a firming up of the financial impact, in the form of the overall QIPP target, on SNCCG 14/15 and 15/16 plans. The FRP anticipated a requirement for a £7.5m QIPP in 2014/15, and the assumption following publication of the allocation and the tariff for 2014/15 is that this figure remains a realistic total.

Steve Ham
Chief Finance Officer
14th January 2014