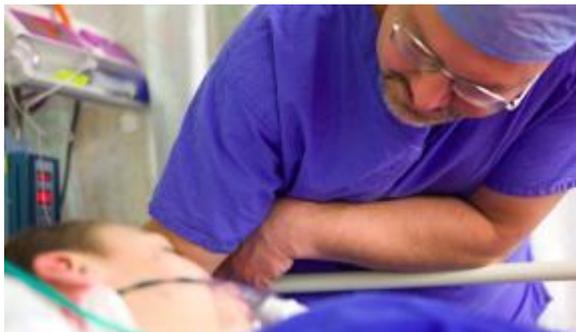
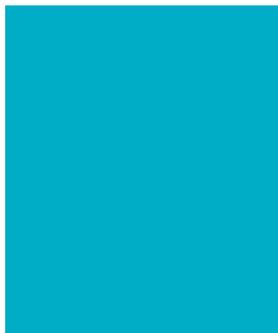


SPF

Finance update



11th June 2014



1. 2013/14: a strong start?
2. Allocations
3. BCF
4. Future strategy

- Financial reporting direct from Integrated Single Financial Environment (ISFE) for 211 CCGs and NHS England
- 0.3% (£256m) overall underspend against plan
- However this was in a year where the system had access to £650m drawdown and £140m of transitional funding
- CCGs overall in line with plan, but 19 CCGs in deficit
- Specialised commissioning growth running significantly higher than planned (and unaffordable)
- Achieving balance in plans for 2014/15 proving challenging and will require commitment of full £400m drawdown up front

In December we published allocations for 2014/15 and 2015/16



	FY 13/14 Recurrent Allocation £bn	FY 14/15 Recurrent Allocation £bn	Efficiency Requirement	Budget Growth	FY 15/16 Recurrent Allocation £bn	Efficiency Requirement	Budget Growth
Total	93.78	96.64	3.8%	3.1%	98.84	4.9%	2.3%
CCG Programme Costs	62.75	64.34	3.3%	2.5%	65.69	5.9%	2.1%
Social Care / Better Care Fund	0.86	1.10		28.1%	1.10		
CCG Admin / Running Costs	1.35	1.35	2.1%	0.0%	1.22	11.3%	(10.0%)
Quality Premium	0.00	0.20			0.20		
CCG / Local Funding	64.96	66.99	3.2%	3.1%	68.20	5.9%	1.8%
Specialised	12.96	13.52	6.2%	4.4%	14.33	3.1%	5.9%
Primary Care (to be allocated)	11.76	12.02	2.5%	2.1%	12.22	2.2%	1.7%
Primary Care (other budgets)	0.19	0.28		48.4%	0.28		
Other Direct Commissioning	0.43	0.44	1.6%	2.1%	0.45	1.8%	1.7%
Public Health s7a	1.71	1.80		5.1%	1.80		
NHS England Programme	0.98	0.93	18.5%	(5.1%)	0.96	2.6%	3.4%
NHS England Admin / Running Costs	0.67	0.54	2.6%	(18.8%)	0.49	11.3%	(10.0%)
Other	0.12	0.12			0.12		

Key themes of the first year of allocations policy



- Transparent and consultative process
- Linkage of allocations to population with funding expressed on the basis of £ per head
- Inclusion of an inequalities adjustment of 10% and 15% and adoption of SMR<75 as the basis for the inequalities adjustment
- Pace of change for CCGs with a real terms growth floor
- Introduction of a primary care funding formula on a £ per head basis with floor of 1.6% linked to projected pressures
- Funding uplifts linked to commissioning stream efficiency challenge
- Indicative CCG allocations to 2018/19 published assuming consistent pace of change for the planning period

Emerging themes for the second year of our work programme



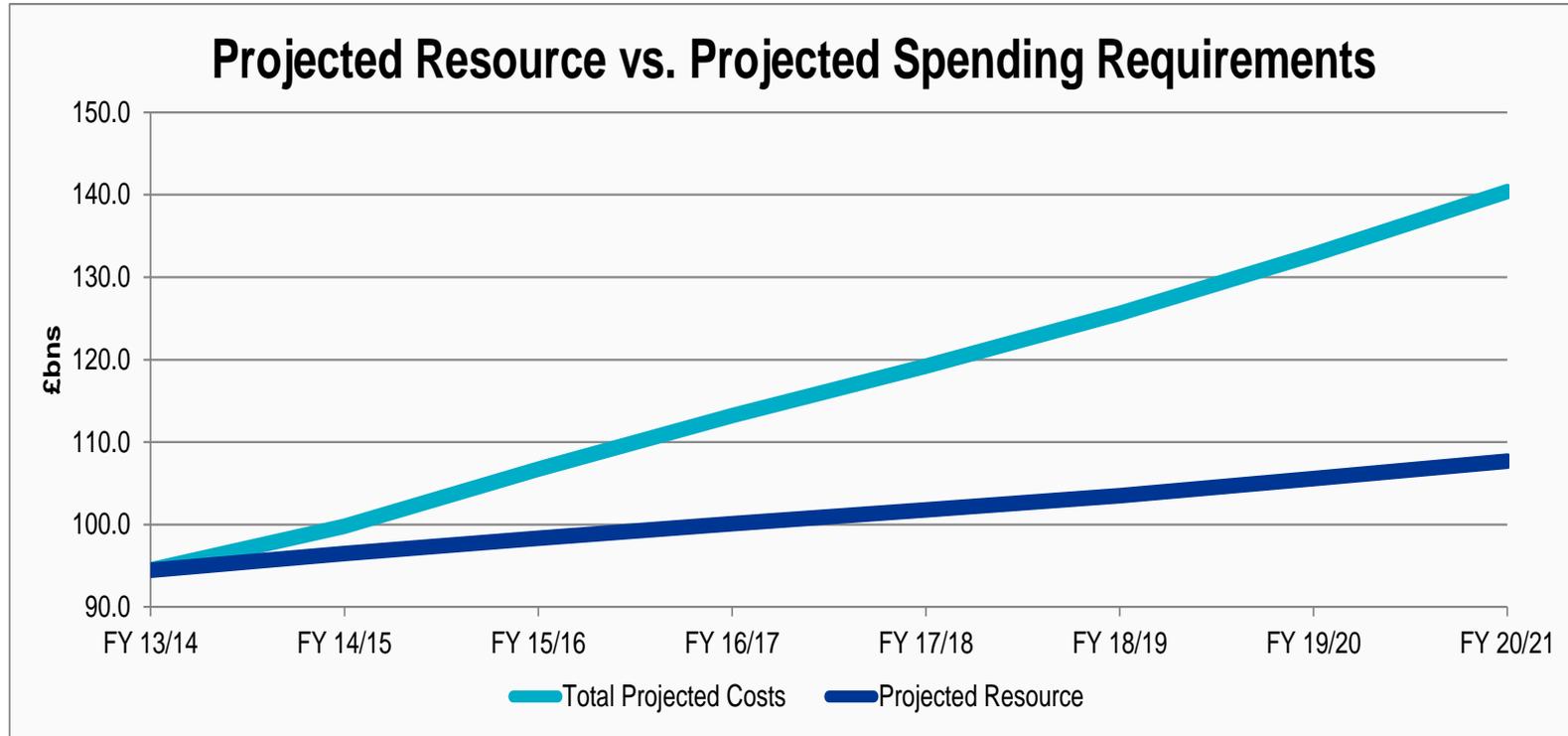
- Commission research to consider the evidence base for the inequalities adjustment for unmet need (10% and 15%)
- Review the evidence base regarding rurality and sparsity in advance of the community information dataset
- Further develop place based allocations
- Consider the approach to “high level” allocations between commissioning streams in light of the 6 characteristics and emerging strategy
- Consider the relative strengths of utilisation (as used in England) vs outcomes based (as used in Wales) allocations formulae
- Review the evidence base regarding pace of change

A key aspect of the approach to allocations for 2015/16 is the introduction of the Better Care Fund



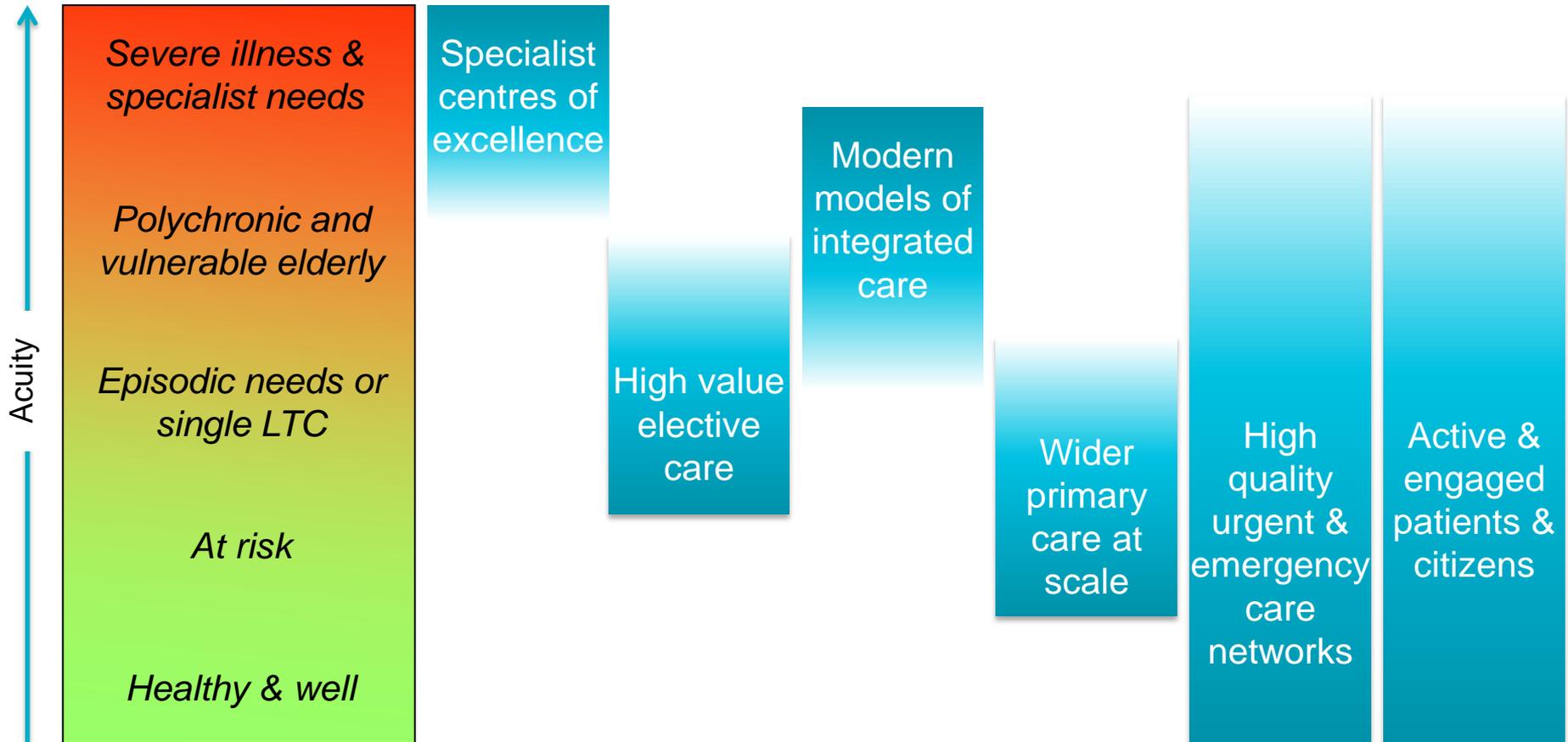
- £3.8bn transfer of NHS resources to Local Authorities in 2015/16 (increase on £1.1bn in 2014/15)
- Intention to secure significant savings to the NHS through investment in social care overseen by Health & Wellbeing Boards
- Health & Wellbeing Boards submitted plans on 4 April claiming benefits of c£730m, however further work required to understand:
 - Share of savings accruing to the NHS
 - Position of Health & Wellbeing Boards yet to identify savings
 - Level of engagement with providers
- Further submission due 27 June
- Ongoing discussions regarding approach to risk-sharing

In July 2013 we published the Call to Action which in the 'Do nothing' scenario projected a funding gap of c£30bn by 2020/21

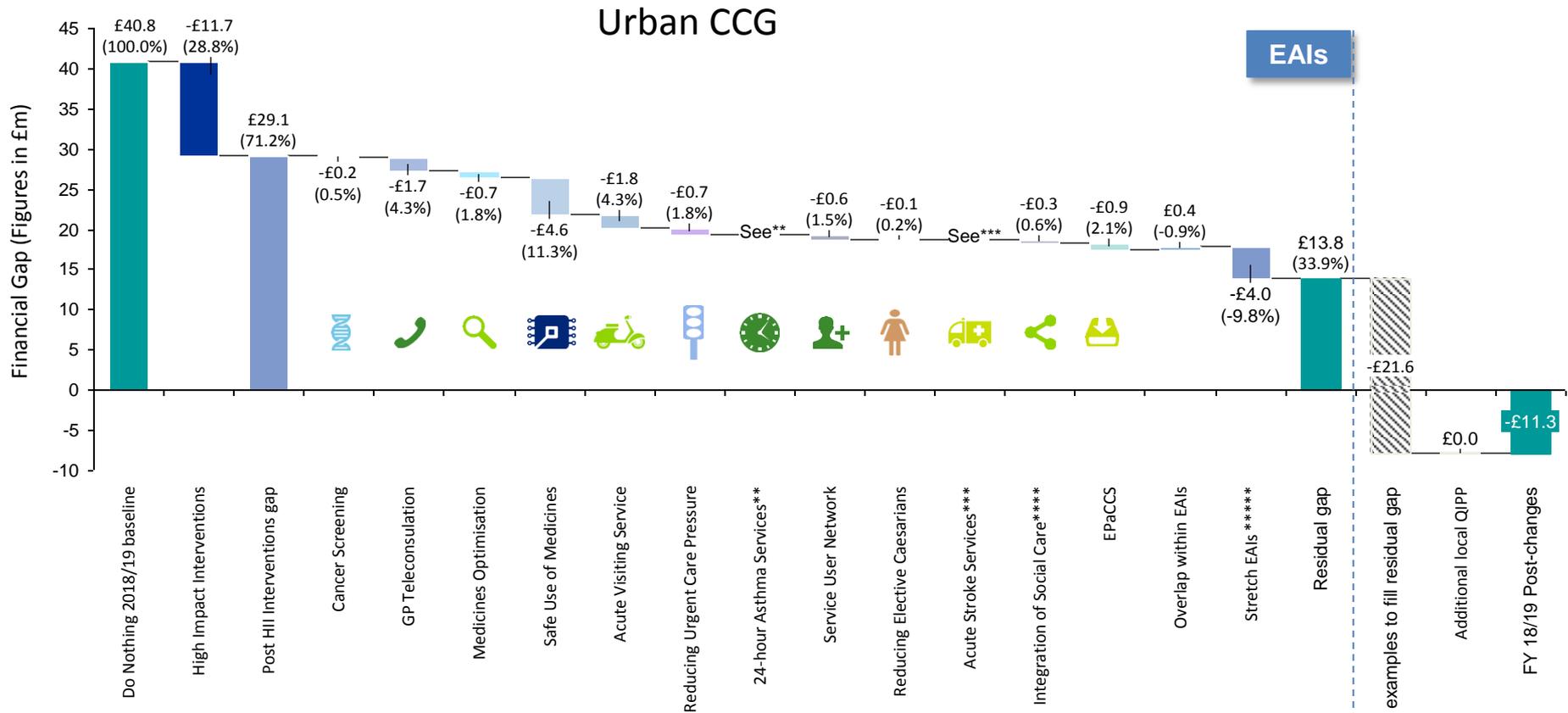


Estimates exclude productivity improvements and assume the NHS England resource remains protected at flat real.

In December we published planning guidance asking commissioners and providers to develop plans around 6 characteristics



At the same time we also published Anytown CCG, which was intending to support commissioners with development of their plans by setting out how the financial challenge could be addressed through the implementation of best practice interventions



Notes: * The estimated activity changes and financial savings account for interactions and overlaps within the HIIs and the EAls. However, these do not fully account for the interaction between the HIIs and the EAls.

** The financial benefits of 24-hour asthma services are less than £100,000.

*** The Acute stroke services intervention has been assumed to be cost neutral.

**** The full effects of this intervention would not be realised until 2019/20. For illustrative purposes, in the figure above the net savings from this intervention have been assumed to start in 2018/19.

***** Includes expansion of patient populations covered by EAls.