

2018/19 Technical Guidance Annex D

NHS England Guidance for Finance Business Rules

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1 Introduction

This technical annex provides further guidance and advice on some of the issues that commissioners should consider when setting out their approach to 2018/19 operational plans.

2 Business rules

The 2018/19 planning letter updates commissioners on the key changes to the business rules and other aspects of financial planning for 2018/19; full details are set out in this annex. The full business rules for 2018/19 are summarised in the table below, which should be read in conjunction with the detailed supporting notes that follow.

Table 1: commissioner business rules

Business Rule	CCG	Specialised commissioning	Public Health	Other direct commissioning
Minimum cumulative/historic underspend	1%	0%	0%	1%
Minimum in-year financial position	All commissioners are required as a minimum to break even, subject to prior agreement of drawdown of historic underspends (see below)			
Contingency	Minimum 0.5%			
Non-recurrent spend	N/a	N/a	N/a	N/a
Admin costs	Remain within admin allocation	N/a	N/a	N/a
Quality premium	Must be applied to programme spend	N/a	N/a	N/a
Specialised co-commissioning	Joint working gain share		N/a	N/a
Commissioner financial plans must triangulate with activity plans and agreed contracts, and with provider financial plans				
Transparency obligations met regarding information on source and use of Marginal Rate Emergency Threshold and Readmissions credits etc. to relevant stakeholders				
National policy commitments met (e.g. mental health investment standard, better care fund contributions, £3 per head primary care investment)				

Assurance of commissioner financial plans will focus on compliance with the commissioner business rules with an increased focus on risk management. Where a commissioner does not consider that they are able to meet one or more of the business rules, this should be raised with NHS England and will result in additional scrutiny of the commissioner's financial position. Where a commissioner is unable to submit a plan that meets the business rules, this will be reflected in the commissioner's assurance rating, and may result in further interventions.

3 Overall CCG financial management

Introduction

CCGs will be expected to plan against financial control totals communicated at the outset of the planning process, which are described in more detail below. CCGs collectively will be expected to deliver financial balance (after the deployment of the Commissioner Sustainability Fund where relevant), and control totals will be set on this basis.

To support CCGs in delivering financial balance, a national share point site has been established - the Financial Resilience Handbook. The site contains useful guides and tools such as the CCG Financial Control and Assessment checklist, case studies of efficiency schemes developed across the country and guidance on financial recovery plans. The Handbook will serve as a repository for all CCGs to identify further efficiency opportunities and benefit from good practice identified in other CCGs. Access to the Handbook can be arranged by contacting the national financial resilience team at england.finance-resilience@nhs.net.

Core business rules

The default position for all CCGs is the delivery of a break even position each year, subject to the agreement of any drawdown of prior year surpluses. In addition CCGs are required to maintain a minimum **cumulative** 1% underspend in 2018/19. The cumulative underspend must be the higher of 1% and the amount carried over from the previous financial year, subject to the approval of any drawdown. Typically the cumulative underspend will be funded through return of the carry forward from the previous year, and will not need to be created from the current year's allocation. This means that the majority of CCGs will plan to spend their allocation for the year in full.

CCGs should also identify any material risks to delivery of plans and show how these risks will be mitigated should they crystallise. It is the expectation of NHS England that CCG plans include sufficient mitigations to offset in full any anticipated risks. Further guidance on the presentation of risks and mitigations in planning submissions can be found in the supporting notes to the CCG financial template.

CCGs should note that there is no requirement for any portion of their allocation to be spent non-recurrently in 2018/19, and further there is no requirement for a risk reserve to be held. CCGs will still be required to set aside 0.5% of their allocation as a contingency and to demonstrate through the assurance process that they have adequate mitigations including deployment of their contingency to cover any risks to delivery of their plan.

Plan phasing

CCGs should pay particular attention to the phasing of their plans to make sure that the profile of expenditure reflects the trends seen in recent years, and that the profile of efficiency savings is consistent with the underlying plans. NHS England will pay particular attention to any efficiency plans that are phased more heavily towards the latter half of the year. The contingency and any other reserves should be clearly identifiable in CCG plans and should be phased in month 12.

Alignment of plans

CCGs should make sure that the acute expenditure net of any efficiencies in their financial plans is consistent with the activity volumes submitted in the operational plans. Financial plans should also be consistent with agreed contracts with providers, and activity plans and the underlying assumptions should align between commissioners and providers.

4 CCG Control Totals

Setting control totals

All CCGs will be expected to plan against fixed in-year control totals communicated at the outset of the planning process. Each CCG will shortly be notified by letter of their control total for 2018/19. The control total for each CCG has been set by NHS England to take account of the business rules, the historic expenditure profile and the additional funding allocation for 2018/19 for each CCG. Where CCGs plan to merge on 1st April 2018 the financial position of the combined entity has been considered.

Control totals will be set taking into account each CCG's financial performance in 2017/18; with the default position for all CCGs being compliance with the business rules.

Drawdown of historic underspends

CCGs with historic underspends will be eligible for drawdown funding in 2018/19 to fund non-recurrent investment plans, subject to regional agreement. Preference will be given to any underspends that have arisen other than as a result of the release of the risk reserve. The conditions for accessing drawdown of historic underspends are as follows:

- the commissioner has cumulative underspends sufficient to drawdown from;
- the investment will be used non-recurrently, which must be confirmed via the business case process;

- the CCG will still meet the business rules regarding the required underspend, so commissioners carrying forwards underspends of less than 1% from 2017/18 will be ineligible; and
- The commissioning system can afford for the commissioner to do so.

Business cases will be required for underspend drawdown, which will be reviewed and approved by regions in advance of finalising plans, and will be subject to overall affordability until the conclusion of the planning process.

Conditions for CCGs with cumulative overspends

The control totals for CCGs with cumulative deficits have deliberately been set to be challenging, and we recognise that in some cases they may not be achievable through the application of conventional modes of efficiency savings. In those cases the CCGs will be supported in developing a more ambitious savings plan which enables it to achieve its control total, albeit recognising that this may require difficult choices to be made.

Any CCG that is unable to meet the 1% cumulative underspend requirement will be required to submit (or refresh if relevant) a financial recovery plan, which will be subject to regional scrutiny and approval. Draft recovery plans must be submitted in time to support the final plan submission on 30 April 2018, and must be completed by 30 June 2018.

Repayment of historic overspends

CCGs that have cumulative overspends, and that have achieved or are close to a balanced financial position, will be set a control total requiring them to underspend their allocation in 2018/19 and thereby begin to pay off their historic deficit. The resulting “drawup” will be used to fund the drawdown of historic underspends described above.

Managing in-year overspends

Given the statutory constraints on CCGs and the existence of structural deficits in some health economies, it is unlikely that all CCGs will be in a position to achieve in-year financial balance against their recurrent allocation in 2018/19.

In setting control totals, NHS England has taken the level of overspend expected for 2017/18 as a start point and normalised this for any nationally applicable one-off items of expenditure. An expected improvement in the rate of expenditure of at least 1% of the in-year allocation has then been added to this. Where the CCG is receiving a higher level of growth than the average this will also be taken into account in setting the control total, as will any previous commitments to a recovery trajectory, or any other factors suggesting a higher level of ambition is appropriate.

Any CCG that has been set a deficit control total will be eligible for the Commissioner Sustainability Fund (CSF), which is the subject of separate guidance available [here](#). The effect of this will be that deficit CCGs meeting performance conditions of the CSF will receive non-recurrent funding sufficient to offset their agreed in-year deficit.

Maintaining discipline in 2017/18

It is important that CCGs continue to focus on delivering their financial position for 2017/18. Where a CCG's risk adjusted forecast outturn for 2017/18 deteriorates after month 9 2017/18, NHS England may adjust the CCG's 2018/19 control total to recoup some or all of the further deterioration. So if a CCG's month 10 2017/18 financial position deteriorates by £2 million, its draft control total of breakeven may be increased to require an underspend of £2 million in 2018/19.

5 Mental Health Investment Standard

In line with previous years CCGs are required to continue to focus on investment in mental health services to ensure parity with other areas of investment. For 2018/19 mental health expenditure for the purposes of assessing the level of investment should exclude expenditure on learning disabilities and dementia. However, it is also important to ensure continued investment across all areas of mental health. Therefore the Mental Health Investment Standard will also be calculated including expenditure on learning disabilities and dementia services.

The guidance for Completion of Commissioner Finance Templates includes further detail of how the Mental Health Investment Standard will be measured.

Where a commissioner fails to achieve the mental health investment requirements, NHS England will consider appropriate regulatory action, including in exceptional circumstances imposing directions on the CCG to increase its level of investment.

To support the overall assessment of mental health investment NHS England will also be using other data collections that will help identify outcomes and prevalence indicators that can be monitored alongside financial investment levels to give a more balanced picture of mental health service commissioning. CCGs should ensure that all providers are making full and timely returns to the Mental Health Services Data Set to support this.

6 Management costs

In aggregate, CCG Management Cost Allowances have been held at the level set in 2015/16. Individual CCG allowances will reflect differential population growth, and are included in the allocations notification. CCGs must ensure that they do not exceed their management costs allowance in 2018/19.

7 Practice Transformational Support

As set out in the GP Forward View, CCGs are required to invest a total of £3 per head in general practice services as a one off non-recurrent investment for practice transformation. This equates to a £171 million non-recurrent investment. CCGs were given the option of spreading the investment over two years, commencing in 2017/18. Any CCGs that did not invest the required amount in full in 2017/18 must complete the investment in 2018/19.

8 Direct Commissioning

Primary care commissioners, whether NHS England teams or CCGs operating under delegated arrangements, are required to deliver the higher of a cumulative 1% underspend or the amount carried over from the previous financial year. Typically the cumulative underspend will be funded through return of the carry forward from the previous year, and will not need to be created from the current year's allocation. This means that the majority of primary care commissioners will plan to spend their allocation for the year in full

Specialised commissioning and public health services are required to achieve a breakeven position in 2018/19.

Direct commissioning will not be required to invest any portion of allocation non-recurrently nor to set aside a risk reserve. Direct commissioning will be required to set aside a contingency of 0.5% of allocations and to demonstrate through the assurance process that they have adequate mitigations for any risk to delivery of their plan.

9 Specialised co-commissioning incentive scheme

CCGs are encouraged to collaborate with specialised commissioning to improve service efficiency. To support this aim, CCGs can share on a 50/50 basis with specialised commissioning in 2018/19 onwards the benefits of any underspends achieved in specialised commissioning budgets in the preceding year.

CCGs will receive a non-recurrent uplift to their allocation in the year following the year in which the savings are realised, equivalent to 50% of the underspend achieved by reference to the previous year. This will continue for as long as the savings stream continues. The footprint over which this will operate will be determined according to the participating CCGs and the relevant service pathway.

CCGs should send expressions of interest to NHSCB.financialperformance@nhs.net