

# **The Commissioner Sustainability Fund and financial control totals for 2018/19: guidance**

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## 1. Introduction to the commissioner sustainability fund for 2018/19

The Commissioner Sustainability Fund (CSF) has been established as a targeted fund totalling up to £400 million to support those CCGs that would otherwise be unable to live within their means for 2018/19. Combined with the additional monies being allocated to all CCGs and the lifting of restrictions re non-recurrent monies, NHS England expects that all CCGs will therefore be able to live within their means during 2018/19.

All CCGs will be expected to plan against fixed pre-CSF control totals communicated at the outset of the planning process. Any CCG that has been set a deficit control total will be eligible for the CSF, the value of which will be set to bring the CCG back to a position of in-year financial balance as long as the in-year control total is delivered. Setting of control totals is covered in more detail below.

CSF funding will not be available for any other CCGs, including a CCG whose financial position deteriorates from plan during 2018/19.

Control totals will be set taking into account each CCG's financial performance in 2017/18. Any CCG that is overspending in 2017/18 will be expected to reduce its rate of expenditure by at least 1% of allocation as an absolute minimum, and for those with more significant and/or longer standing cumulative deficits they will be required to make faster improvements and make good on previously agreed recovery trajectories.

The CSF will be contingent upon financial delivery in line with plan - the CSF will be payable based solely on financial performance (see page 4).

## 2. Financial control totals

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. The default position for all CCGs is the delivery of a break even position each year. Where CCGs plan to merge on 1 April 2018 the financial position of the combined entity has been considered.

However given the statutory constraints on CCGs and the historic level of overspend in some health economies it is unlikely that all CCGs will be in a position to achieve financial balance without support in 2018/19. In these cases NHS England has taken the level of overspend expected for 2017/18 as a start point and normalised this for nationally applicable one-off items of expenditure. An expected improvement in the rate of expenditure of **at least** one percent 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 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.

Where a CCG's risk adjusted forecast outturn for 2017/18 deteriorates after month 9, 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, a control total of £10 million deficit (before allocation of CSF funding) would be reduced to £8 million deficit.

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 more 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.

### **3. CSF funding allocation**

CSF funding totalling up to £400 million will be allocated to fund in-year CCG deficits in 2018/19. If the amount required to fund CCG deficits is less than £400 million, the balance will be held in reserve by NHS England to cover any further pressures arising during the year. Any unearned CSF will need to offset the resulting overspend in the relevant CCG so will likely be released to the NHS England bottom line to provide a central offset.

Where a CCG has been set a control total that would result in an in-year deficit, ie the total expected expenditure for the year exceeds the total in-year allocation; the CCG will also be notified of its indicative CSF allocation, which will match the deficit control total. Providers will not be involved in setting control totals for commissioners, and will not be able to attach any additional conditions to the operation of the CSF. Nor should this be considered as additional money flowing into the health economy – the CSF provides allocation funding for expenditure we would expect to take place anyway and reduces the deficit which would otherwise arise, rather than providing a source of funding for additional investment in the health economy.

The CSF does, however, mean that any eligible CCG that achieves its pre-CSF control total, and hence earns its CSF bonuses, will deliver a balanced in year position for 2018/19 and will therefore carry forward a lower level of cumulative deficit than would otherwise have been the case. This in turn will require a lower level of repayment in future years.

The CSF allocation is illustrated as follows:

**Table 1**

	<b>Control total before allocation of CSF funding £'000</b>	<b>CSF Financial performance bonus £'000</b>	<b>Control total after allocation of CSF funding £'000</b>
Anytown CCG	(10,000)	10,000	-

The CSF allocation for each CCG will be confirmed when NHS England receives a financial and an operational plan from the CCG setting out how the control total will be achieved. The CSF will then be paid quarterly in arrears as long as the CCG has achieved its financial control total for the quarter and the other conditions set out in table 2 below, and is on track to deliver its commitments for the year.

The financial control total before allocation of CSF funding will need to be phased across the four quarters for the purposes of the quarterly assessment. The quarterly assessment targets will be calculated on a cumulative basis, automatically allowing for catch up of under delivery in previous quarters.

The default phasing profile for the financial plan will be an equal split of allocations and expenditure across each quarter, other than reserves and contingencies which should be phased into month 12. CCGs should make sure that their plans are phased accordingly, including the profile of allocations, expenditure, efficiency schemes and the phasing of contingencies and reserves.

Any alternative plan and control total phasing profile will be subject to sign off by NHS England.

## 4. Conditions for receipt of CSF

To be eligible for access to the CSF, CCGs must formally meet all the conditions set out in Table 2 below:

**Table 2: CSF conditions and measurement**

Objective	Conditions/measurement
Demonstrate commitment to delivery of financial control total	Deliver a financial plan consistent with the financial control total for 2018/19.
Repayment of cumulative debt	Agreement of a milestone-based recovery plan with NHS England by the end of quarter 1 if not already in place.
Delivery of the financial plan for the year	Hit the year to date financial control total for each quarter across 2018/19 and provide a credible and well-evidenced forecast in line with the plan at the end of quarters 1, 2 and 3.

### **Delivering a financial and operational plan**

To be eligible for the CSF, CCGs with a deficit control total must submit a credible finance plan to NHS England showing how expenditure will be contained sufficiently to ensure the control total will be met. The plan will need to be supported by robust efficiency plans and agreed contracts. The plan should also include identification of any material risks to delivery and show how these risks will be mitigated should they crystallise.

In addition the CCG must submit an activity plan which is consistent with the finance plan, and allows for a reasonable level of growth given historic trends and any service changes planned by the CCG. The activity plan must be consistent with agreed contracts and the underlying assumptions must be consistent with those of the CCG's main providers.

### **Agreement of recovery plan**

It is the expectation of NHS England that all CCGs that are currently overspending their allocation return to a position of in-year financial balance as quickly as possible. Thereafter the CCG must plan to repay the cumulative deficit over a reasonable timescale.

To evidence the CCG's acceptance of this condition and to demonstrate that it has a robust plan to deliver on this expectation, the CCG must submit or refresh if appropriate its financial recovery plan.

Guidance on the completion of financial recovery plans can be found on the NHS England Financial Resilience Sharepoint site.

## **5. Monitoring delivery of financial control totals**

A CCG's achievement of its year-to-date control total in each quarter and maintaining a forecast in line with plan throughout is a prerequisite to secure its allocation of CSF for that quarter. The CCG's actual financial performance will be compared to its financial control total for that quarter and the forecast outturn for the year compared with the plan. Having achieved (or exceeded) the control total, the organisation becomes eligible for funding. If a CCG fails on its financial performance target it will not be eligible for any CSF funding in that quarter, even if it meets other eligibility criteria. If a CCG achieves its control total in subsequent quarters it will become entitled to previous missed quarters of CSF.

CCGs must have evidenced a commitment to deliver their control totals by quarter 1 2018/19 through submission of a compliant financial plan submission. CCGs that have not signed up to the control total and associated conditions by Quarter 1 2018/19 but do so at a later date will forfeit eligibility to receive earlier quarters of the CSF in 2018/19 even if the other conditions have been achieved.

### **Financial performance measure for control totals**

Measurement of CCGs' performance against financial control totals for the CSF will be consistent with the calculation of financial performance for all other planning and monitoring submissions for commissioners.

### **Tolerances**

No tolerances will be allowed for failure to meet quarterly finance control totals in any quarter of 2018/19.

Where a CCG does not achieve its control total as a result of a cost pressure which is genuinely outside of the CCG's control, NHS England may at its discretion adjust the CCG's control total accordingly, although this will generally only be considered in the case of cost pressures being encountered by all CCGs. No additional CSF funding will be allocated in this case.

There will be no automatic right of appeal for not achieving the control total. Regional Directors by exception will be able to make representations to the Chief Financial Officer of NHS England where CCGs have made good progress but factors outside of their control have impacted on their ability to achieve the trajectory.

## 6. Quarterly review and payment process

Release of the CSF will be subject to a quarterly review process in arrears based on an assessment against the CSF conditions only – no other factors will be taken into account. Access to funding will be determined through the NHS England monitoring process in consultation with NHS Improvement.

To encourage sensible phasing of plans and to discourage in particular phasing of savings plans towards the latter part of the year, the payment of CSF monies will be weighted towards the latter part of the year. Thus CCGs will be eligible for 10% of the total CSF allocation for quarter 1, 25% for quarter 2, 30% for quarter 3 and the balance of 35% for the final quarter.

The resulting year to date reporting impact is illustrated as follows:

**Table 3**

<b>Anytown CCG</b>	<b>Quarter 1 £'000</b>	<b>Quarter 2 £'000</b>	<b>Quarter 3 £'000</b>	<b>Quarter 4 £'000</b>
Cumulative control total before allocation of CSF funding	(2,500)	(5,000)	(7,500)	(10,000)
Cumulative CSF Financial performance bonus	1,000	3,500	6,500	10,000
Cumulative control total after allocation of CSF funding	(1,500)	(1,500)	(1,000)	-

Thus a CCG that phases its pre-CSF overspend equally across the year and achieves its financial control total for each quarter, will report a post-CSF year to date deficit for quarters 1, 2 and 3, as illustrated above.

A CCG that forecasts in line with its plan throughout the year should assume receipt of the full amount of its CSF funding allocation and therefore should forecast an in year break even position.

### **Quarterly review of delivery against financial control totals**

Financial performance will be assessed at the end of each quarter against the agreed year-to-date control total and the forecast against the full year control total.

### **Earning back missed payments**

Missed payments can be earned back in later quarters of each year on a cumulative basis.

The finance bonus of the CSF will operate on a cumulative basis, so that if a CCG misses the year to date control total in a given quarter, but then recovers its



cumulative control total in a subsequent quarter, it can still receive its full amount of funding.

So a CCG that did not meet its financial control total in quarter 1 would not receive its quarter 1 CSF payment. If the CCG then met its year-to-date control total in quarter 2, it would receive its CSF finance bonus for quarter 2 and the missed finance bonus for quarter 1.

### **Partial Achievement of Plans and Claw Back**

Where a CCG earns its CSF allocation in one quarter, but then goes off-plan in subsequent quarters either for financial or operational performance, the funds it has previously received will not be clawed back, ***as long as the phasing of the plan has been agreed by NHS England***. If the plan phasing has not been agreed by NHS England then the payments already made ***will*** be clawed back.

Unless a concession has been made by NHS England to allow for external factors beyond the control of the CCG in line with the provisions above, there will be no partial payment of CSF monies for near-achievement of plans.

## **7. Treatment of CSF in operating plans**

In the draft operating plan submission CCGs should not reflect receipt of any CSF monies, and so should submit a deficit plan consistent with the control total before allocation of CSF funding.

In the final operating plan submission, as long as:

- the CCG's financial plan is consistent with its control total before allocation of CSF funding;
- the CCG has prepared an activity plan that shows a reasonable level of growth;
- the activity plan is consistent with its financial plan; and
- the financial plan and the activity plan have been triangulated with the provider assumptions;

the CCG should assume receipt of the full amount of CSF monies, which should be reflected in the CCG's financial plan, bringing the planned financial position for the year to break even.