

Budget paper 2019/20 March 2019

Background

Since the establishment of the NIHR Clinical Research Network in 2014/15, a fixed national budget has been provided, with regional budgets subject to annual variation, based on performance. This fixed national budget in real terms equates to a budget reduction of c.12%. Over this time the network has demonstrated improvements in research delivery across a range of metrics, including increased recruitment (24%), increased study delivery (up 25%) and improvement in cost per weighted recruit (by 34%). Additionally, since the portfolio criteria was expanded into public health and social care settings in January 2018, the funding available has supported a wider breath of activity. As such, for 2019/20 budgets there was a request for additional funding to recognise this increased scope, and it was felt that maximum efficiencies had now been demonstrated; there is a will to deliver more, but a recognition that further activity without a corresponding budget would now be challenging. These points were acknowledged, however the final budget provided for NIHR CRN was a flat budget position, currently without confirmation of funding in relation to the AfC pay award.

Each year the CRN East Midlands sets out plans to make best use of our regional budget to support us in delivering against contractual objectives. These are defined within the Performance and Operating Framework (POF) and reference a number of High Level Objectives (HLOs). Each year there are some changes to the POF, with this year seeing considerable changes around patient & public involvement and engagement, communications, workforce development and contract compliance, along with other changes reflecting national progress in services such as the Study Support Service and LPMS-CPMS integration. Into 2019/20, we know that a number of the national HLOs are subject to change, and some aspects of the POF also. The detail of this, however, is not currently known, thus one challenge the budget planning considers is allowing sufficient flexibility as further details are made available throughout the coming months.

Another aspect we need to address is the changes made in January of this year (2018) which have expanded the NIHR portfolio criteria such that the CRN now supports studies across wider health and social care settings. We need to ensure any funding model does not restrict the placement of funding to studies taking place outside of traditional NHS settings.

When planning this budget, we are also mindful that we need to deliver value for money, understanding where resource is placed, and how this contributes to HLO targets. Recruitment alone, however, is not the only factor, access for patients across the region is also a key consideration, and an appreciation of critical mass such that there is a need to maintain sufficient resource at sites, to be used efficiently to ensure research delivery remains viable.

It has recently been confirmed that the national funding model, which is employed to define Local CRN budgets, has changed this year. It incorporates historic funding (based on 2018/19) along with a range of performance related elements using a balanced scorecard approach.

Performance related factors include overall participant recruitment against target, recruitment to time and target for both commercial and non-commercial studies along with performance to national specialty level targets, across 30 clinical specialties. As a result the East Midlands has been provided a flat budget, in relation to 2018/19. Our total budget for 2019/20 will be £20,978,666. Overall, this is a relatively strong position, when reflecting on the national position. This is also a good reflection on the hard work across the East Midlands in contributing to strong performance in 2017/18, which was the reference year used for defining this budget. We have not been advised of further funding for the pay award, thus we plan that we will not be receiving this, and will include full costs within our annual budget planning; if this position changes we will advise partners as soon as we are made aware.

In summary, there is some change and there remains a lot of ‘unknowns’ as we look to plan this budget; there are also many knowns, and we must focus on these at this time. We know that the broad direction of the HLOs will be the same, that a focus on increasing research activity will be key, along with ensuring a good spread across specialties and geography.

Approach

Much of the content of this document and the planned approach were discussed and shared with partners at the Finance Engagement Event on 29 November 2018. This paper brings together current thinking and planning, along with detailing next steps for budget planning.

For some years the CRN has employed a regional funding model which is used to derive partner organisation CRN budgets. The expectation is for partners and the CRN to work together using local intelligence, pipeline planning, reference to trust & CRN strategy, along with principles around value for money and efficiency, to define a plan for that funding. Then, in-year, as studies start and end, priorities shift, post holders turn-over and undoubtedly things change, to continue to work together to plan changes in the budget to address this. Broadly this works well, with some very effective relationships developed to facilitate this. As we look to 2019/20 we will continue to use this partnership approach, always seeking to ensure resource placement is clearly supporting delivery of CRN objectives.

The CRN budget remains composed of the three elements previously referenced, and again are outlined for completeness.

Budget element	Description
Fixed costs	LPMS cost and Hosts costs, fixed by contractual arrangements.
Partner income	CRN funding which is provided to partner/stakeholder organisations for the business of research delivery. This comprises partner infrastructure budgets and study specific service support costs. This category should also include

	partner embedded Study Support Service (c.£340k), although at present for planning purposes we have grouped this below with the network costs.
Central network managed	This includes a variety of centrally managed resources to deliver on contractual elements, specifically: Management & Leadership (of which there is a defined budget and we are below this), Clinical Leadership, Research Support Team, Comms, PPIE, Workforce development, Study Support Service (central and PO based staff), Business Intelligence and Finance.

At this stage, the centrally managed element is not fully planned, although the contractually prescribed elements are set into the budget. Further planning will be required in order to provide assurance to the host around these costs, and that all workstreams detailed under the POF are adequately supported. This element of the budget, unlike fixed costs, is subject to a cut, which will be managed through the application of a vacancy factor.

The overall envelope for partner budgets is £15,811,171, this excludes an allocation of service support costs of £400,000, distributed throughout the year.

Partner budget modelling

The model used to set the partner budgets follows that employed within the network in previous years. It is an activity driven budget, with four elements - an activity based element, an historic element, a performance premium and a cap and collar. A range of variations to the model were reviewed, the breakdown of the final modelling has been reviewed and circulated to key stakeholders through the Partnership Group. The approach is as described:

- a) Weighted participant recruitment into portfolio studies is the proxy for activity in this model; the activity based element of the East Midlands budget references financial year recruitment data from 1 April 2016 to 31 March 2018. 72% of the budget model references activity.
- b) The weighting ratios for recruitment are in line with the national approach to complexity banding of studies with ratios of 1 : 3.5 : 11 relating to large sample size : observational : interventional studies
- c) The activity based funding component is calculated by taking the total activity funding (72% of partner total budget) and applying the percentage activity contribution each partner organisation has made to overall recruitment in the two year period ending 31 March 2018.
- d) The reference costs for the historic funding element are based on 2018/19 partner budgets at the end of Q2 (with exception of any SSS/hosted central network funded staff, and the addition of any SSCs awarded/forecast), extrapolated to a full year forecast. All elements were included in order to get a realistic picture of funding each organisation had

been in receipt of, thus the total funding invested to generate the total activity. 25% of the budget model references historic data.

- e) The historic funding component is calculated with reference to the proportion of funding each organisation was in receipt of this year (as described), and then applying that organisation's % to the total historic funding available within the partner income (less SSCs).
- f) When modelling the different proportions of historic and activity-based funding, the resultant budget is described as "fair-share". These fairshare budgets are what organisations would expect to receive based primarily on the activity each has contributed to, if there were no further smoothing applied.
- g) A cap and collar is however applied to prevent destabilisation, with those organisations who have performed closer to their fair-share budget to see a more modest impact. A banding approach to cap and collar is used, whereby fair-share budgets are compared to baseline budgets (2018/19 budgets in effect), and the level of difference between these is used to define the cap and collar to be applied. The banding approach is detailed below is used:

Table 1: cap and collar ranges

Factor difference (Fair-share to baseline)	Cap and collar to be applied
over 5 different	6.0%
between 3.0 and 4.99 different	5.0%
between 1.01 and 2.99	3.5%
between 0 and 1.0	2.0%
no difference	0 %
between -1 and 0 different	-2.5%
between -1 and -2.99 different	-6.0%
between -3.0 and -4.99 different	-10.0%
over -5 different	-12.5%

- h) The relevant cap or collar is then applied to the Q2 baseline budget, to give a capped/collared envelope, pre-performance premium. The performance premium is then added, to give an overall indicative budget envelope.
- i) The performance premium has continued to focus on HLO2, recruitment to time and target for closed studies, both commercial and non-commercial. Additionally HLO4 data has been included - study set up data, to recognise this important contractual objective and bring a more balanced approach. As last year during the modelling, performance premiums at 3%, 3.5% and 5% were considered; both 3.5% and 5% were deemed to be too expensive, and do significantly skew the data, with fluctuations too far from last year's baseline. The performance premium this year is set at 3%, of which $\frac{2}{3}$ is due to HLO2 performance and $\frac{1}{3}$ HLO4. The performance premium is added back after the application

of the cap and collar, as in the past two years. This is to act as a recognition for performance last year.

- j) The HLO2 element of the performance premium is calculated by taking the total number of studies which closed in the financial year 2017/18 and dividing that by the funding amount available, $\frac{2}{3}$ of total (£311,035). This gives a per study HLO2 premium of £1,663, which is then multiplied for each organisation, depending on the number of studies which closed to time and target.
- k) The HLO4 element of the performance premium, is calculated by taking the total number of studies which achieved the HLO4 set-up metric in 2017/18 and dividing that by the funding amount available, $\frac{1}{3}$ of total (£155,517). This gives a per study HLO4 premium of £477, which is then multiplied for each organisation, depending on the number of studies which attained the HLO4 target.
- l) In line with recent central guidance we will be establishing a defined funding stream which equates to 2% of our total funding, c.£417,000. The aim of this is to assist us in meeting the expectation to ensure we are able to demonstrate how the research we deliver is relevant to local population health needs. This funding will be available to all organisations and sectors, including organisations the CRN may not have partnered with in the past. Further details regarding this will be available in due course.

As in previous years, a separate regional budget for Primary care has been defined. This was derived using the same principles as the rest of the budget, with primary care treated as an “organisation” for budget planning purposes. The primary care budget will be set in partnership between the Division 5 Leadership Team (Prof Azhar Farooqi, Harpal Ghattoraya and Harriet Savage) and the various organisations involved in delivering in that sector. As the primary care landscape continues to evolve, we anticipate resource will be placed in a number of organisations to support the CRN in achieving its objectives. Ongoing management of the resource in primary care will remain as this year and be through the usual monthly returns and discussion with the CRN for any resource/spend variation.

As in previous years, there continues to be organisations whose activity does not fit well into the model, due to significant activity fluctuations, or a lack of “historical” data, due to new and emerging partners. These organisations will be considered separately, outside of the model, with separate individual discussion required to confirm budgets.

Budget preparation and next steps

Once this paper has been circulated to the Partnership Group for comment, along with a breakdown of the budget plans, by organisation, it will be shared with R&D Leads/Managers/Directors/Assistant Directors, along with a budget timetable and planning spreadsheet. As outlined, there is an expectation that Partner Organisations will work with Divisional leaders (managers & clinical leads) when preparing the draft budget for submission to the CRN. This should build on existing relationships to consider activity, infrastructure, future plans, pipeline studies, organisational strategy for research and meeting the goals of the CRN

East Midlands. This discussion and dialogue should be evident in the planned budgets, when reviewed. Organisations are also expected to work closely with their designated CRN Senior Team Link when preparing their budget to aid swift sign off.