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NHS DORSET CLINICAL COMMISSIONING GROUP

GOVERNING BODY MEETING

FINANCE REPORT AS AT 30 SEPTEMBER 2017

Date of the meeting	15/11/2017
Author	H Morris - Assistant Director of Finance
Sponsoring Board member	S Hunter - Chief Finance Officer
Purpose of Report	To update the Governing Body regarding the CCG financial performance for the financial year 2017/18.
Recommendation	The Governing Body is asked to **note** the report.
Stakeholder Engagement	N/A
Previous GB / Committee/s, Dates	The Governing Body was updated about financial performance up to end July 2017 at its meeting in September 2017.

Monitoring and Assurance Summary

This report links to the following Strategic Principles	• Services designed around people • Preventing ill health and reducing inequalities • Sustainable healthcare services • Care closer to home

	Yes [e.g. ✓]	**Any action required?**	
		Yes Detail in report	**No**
All three Domains of Quality (Safety, Quality, Patient Experience)	✓		✓
Board Assurance Framework Risk Register	✓	✓	
Budgetary Impact	✓	✓	
Legal/Regulatory	✓	✓	
People/Staff	✓		✓
Financial/Value for Money/Sustainability	✓	✓	
Information Management &Technology	✓		✓
Equality Impact Assessment	✓		✓
Freedom of Information	✓		✓
I confirm that I have considered the implications of this report on each of the matters above, as indicated	✓		

Initials : HM

1. Introduction

1.1 The purpose of this report is to update the Governing Body on the financial performance for the financial year as at 30th September 2017.

1.2 The CCG has a planned in-year break-even position for 2017/18 and is currently expecting to deliver this position, which includes delivery of 0.5% mandated risk reserve of £5.1m and under-pinned by a requirement to deliver Quality, Innovation, Productivity and Prevention (QIPP) plans and identify £11.2m of further QIPP schemes as noted further in the report.

1.3 This position includes an agreed draw-down of £1.594m against historic carried forward surpluses.

1.4 The following areas will be reported on in this paper:

- Forecast Outturn
- National changes to reporting
- Revenue Resource Limit
- Financial Performance Highlights and Exceptions
- Quality, Innovation Productivity and Prevention (QIPP)
- Running Costs
- Business Rules
- Risks and Mitigations
- Cash
- Better payments
- Better Care Fund
- Quality Premium
- Capital
- System Position.

2. Finance Report

2.1 Forecast Outturn

- As noted in the introduction of this report, the CCG has a planned in-year reported break-even position, which allows for an agreed draw-down of £1.594m against the carried forward surplus and includes the commitment to not spend the mandated £5.1m reserve.

- As at end October 2017 the CCG is still expecting to achieve this position, through targeting and identifying additional QIPP plans, although £11.2m is still yet to be identified and risks to delivery of the break-even control total are building.

2.2 National changes to reporting

- As noted in the update in May 2017, from 2017/18 onwards NHS England will now report CCG financial performance on an in-year basis, i.e. the surplus or deficit calculated as the difference between the revenue resource allocation, plus any agreed draw-down and total expenditure.

2.3 Revenue Resource Limit

- The annual revenue resource limit was reported in the opening budget paper of £1,148.8m, which included core CCG programme funding £1,027.3m, primary care delegated £103.1m, running cost allocations £16.8m and agreed draw-down of £1.6m.

- In addition the CCG still has a carried-forward surplus of £27.2m.

- The table below shows the breakdown of the Resources available for the CCG in 2017/18.

Resources	**£'000**
Programme Allocations	1,008,295
Programme Growth 2%	20,179
HRG 4+ Adjustment	(8,546)
Specialist Commissioning Transfer	7,318
Primary Care Delegated	101,220
Primary Care Delegated Growth 1.84%	1,900
Running Cost Allowance	16,793
CCG draw-down	1,594
TOTAL OPENING RESOURCES	**1,148,753**
IN-YEAR ALLOCATIONS	**4,507**
TOTAL RESOURCES	**1,153,260**

- The CCG as per the table above have also received additional allocations to a value of £4.5m, comprising:

  - Pass-through funding to South West Ambulance for Paramedics re-banding and Resilience of £2.1m

  - Pass-through Vanguard funding of £0.9m

  - Improved access to GP services funding £1.2m

  - Removal of funding relating to Sixpenny Handley to transfer to Wiltshire CCG of (£1.1m)

  - Market rents adjustment as centrally assumed a proportion is funded in CCG baselines (*this was not anticipated*) (£0.4m)

  - Other national programme initiatives £1.8m

2.4 Financial Performance Highlights and Exceptions

- Month 6 is the half-way point of the financial year and so the financial information available at this point is starting to provide a sound basis from which to forecast likely financial performance for the year. Much of the reporting is, however, 6 weeks to 2 months in arrears so caution still needs to be exercised in forming conclusions. Specific elements to be highlighted at this point are:

- **Acute Services** **(£1.5m overspend forecast, previous reported position £2.1m over-spend forecast)**

  * Non-NHS contracts - Improvement of £450k from end July forecast. Over-spend in non-NHS contracts with a current forecasted extrapolation of £334k. This is a summary position of non-NHS providers with varying volatility of a mixed portfolio of activity. Actions are in progress to address increasing activity in the independent sector.

  * Southampton University Hospitals NHS FT. Improvement of £71k from end July forecast. Current forecast is £483k over-spend for the full year. Within this high-level position, there are various areas of pressure which are under review. We will continue to review activity and monitor closely as this contract has historically overspent.

  * Yeovil District Hospital NHS FT and Salisbury NHS FT Deterioration of £192k from end July forecast. Full year forecast overspends for both Yeovil District Hospital NHS FT and Salisbury NHS FT have worsened since the last report. The combined forecast out-turn for both is a £650k overspend. Activity for each provider continues to be analysed and action plans have been formulated where demand and referrals can be managed.

  * Non-contract activity – Improvement of £192k from end July forecast. Non-contract activity forecast over-spend of £194k. Much of the non-contract activity is non-elective and difficult to manage but validation of activity and residency provides some opportunity to manage spend.

  * A significant level of uncertainty remains around adjustments for specialist commissioning portfolio changes and whether these are adjusted in the provider positions. This is a level of unquantified risk at this time.

* Leads have been identified in the CCG both in respect of the over-spend areas and also therefore for delivery of QIPP. Action plans are in place and being formulated and further refined to address the current forecasted pressures. Discussions are also ongoing in respect of Southampton with the contracted commissioning support service to understand what actions are being taken and obtain assurance that the contract is being managed.

- **Continuing Care (£1.1m over-spend forecast, previous reported position £0.4m under-spend forecast)**

  * A further breakdown of the various elements of the Continuing Health Care (CHC) forecast is set out in the table below.

	Annual Budget	Forecast expenditure for full year as at end September 2017	Forecast variance as at end September 2017	Forecast variance as at end July 2017	Variance change	Direction of travel
	£000s	£000s	£000s	£000s	£000s	
Children's Continuing Care	2,806	3,700	894	324	570	↓
Adults' Continuing Care	52,032	52,074	42	(370)	412	↓
NHS Funded Nursing Care	12,339	12,468	129	453	(324)	↑
Total	67,177	68,242	1,065	407	658	↓

  * The increased forecast expenditure reflects a high level of uncertainty and risk that has been prevalent over several months within certain aspects of the CHC forecast.

  * In particular, there have been high backlogs of Funded Nursing Care and initial decision support tools and retrospective assessments which make accurate forecasting challenging. Interest charges on successful claims add to the risk and uncertainty.

  * The most significant element of the £1.1m over-spend forecast is Children's' Continuing Care (CCC) which accounts for £894k of the total. This forecast overspend is 32% of the annual budget for CCC and is due to an increased number of children who need high cost care packages.

- A further report is in development for the attention of Directors setting out clear actions to tackle backlogs and limit the level of overspend where it can be influenced.

- **Prescribing (£1.17m over-spend forecast, previous reported position £Nil)**

  - The primary care prescribing position issued by the NHS Business Service Authority is subject to a two-month delay and is based on the July 2017 prescribing data.

  - Based on the July data, early indications are that the budget will be significantly overspent due to in-year factors:

    - a change in the treatment of the windfall savings on Category M drugs. Category M are generic drugs for which the price is set by the Department of Health

    - the effect of high drugs prices resulting from drugs classified as NCSO (No Cheaper Stock Obtainable).

  - Reductions in prices in Category M drugs are usually of direct benefit to CCGs. However, it was notified in July 2017 that any associated benefit would this year be retained by NHS England to provide a central fund to aid coverage of any system wide deficit. CCGs have been promised that the usual benefit they would receive from the Category M reduction will be returned to them either later in 2017/18 or in future financial years depending on central need. The windfall saving anticipated from August 2017 was in the region of £1.1m and this will be a recurrent benefit from whenever it is returned to the CCG.

  - NCSO price adjustments are set nationally and result in a temporary inflation of prices / price concessions for category M generic drugs where supply is limited and only higher priced stock is available. Nationally we are seeing unprecedented levels of drugs included within NCSO in 2017/18 with a gross cost pressure so far of circa £1.2m for June and July NCSO price concessions.

  - At the time of reporting the September figures the full extent of the NCSO problem was not fully known, however, it is now anticipated that there is a significant risk of further cost pressures on top of the September reported overspend of £1.17m as recent information on NCSO price concessions suggests that the cost pressures seen in June and July are likely to continue to October at the earliest at a cost of £500k - £600k per month. This has been part mitigated by savings elsewhere in the drug tariff but will still result in a substantial increase in the prescribing forecast position.

- **Primary Care Delegated (£0.15m over-spend forecast, previous reported position £Nil)**

  - The £150k over-spend forecast on the Primary Care Delegated budget arises from several factors:

    - Contract payments to GPs are based on list sizes. Our intelligence is that some list sizes are set too low as a result of a backlog in Primary Care Support England (Capita) processing new patients

    - Increased liability arising from enhanced entitlement to maternity and sickness locum claims

    - cost of indemnity fees – the 2017/18 budget is set at the level of NHS England payment for 2016/17. The true level of commitment is unknown.

  - The £150k forecast over-spend is a net position after the one-off benefit of rate rebates and other non-recurrent factors. The estimate of the underlying recurrent deficit on primary care delegated is closer to £1m. This is under discussion with NHS England.

- The table overleaf shows the forecast end of year position on key reporting lines based on the September 2017 information.

Income and Expenditure	Annual Budget £'000	Forecast Expenditure £'000	Forecast Variance £'000	Previous Reported Variance £'000	Variance Change
Dorset Main Providers	642,999	642,999	0	0	→
Other Acute Commissioning	110,738	112,247	1,510	2,106	↑
Other Community and Partnerships	4,783	4,762	(20)	(159)	↓
Other Mental Health and Learning Disabilities	20,104	19,304	(800)	(800)	→
Primary Care Delegated	101,110	101,259	149	0	↓
Prescribing	122,707	123,877	1,170	0	↓
Other Primary Care	34,035	34,056	21	(20)	↓
Continuing Care	67,177	68,242	1,065	408	↓
Better Care Fund (non-core)	25,534	25,534	0	0	→
Other Programmes	3,908	3,852	(56)	180	↑
Contingencies and Reserves	15,374	12,336	(3,038)	(1,715)	↑
Unidentified QIPP	(11,193)	(11,193)	0	0	→
Corporate Running Costs	15,985	15,985	0	0	→
TOTAL EXPENDITURE	1,153,260	1,153,260	0	0	→
Note - Movement is assessed against the last reported position, which was the report to July 2017 Governing Body meeting					

- In addition, the following table also shows the overall position, including the in-year as noted above, the mandated 0.5% business rules and the carried forward surplus.

- The mandated business rules and reserves are discussed in more detail later in the report, however this demonstrates that we are meeting the required business rules.

Description	£m
2017/18 in-year forecast surplus / (deficit)	0.0
0.5% mandated reserve	5.1
Carried forward surplus / (deficit)	27.2
End of financial year reported surplus / (deficit)	**32.3**

2.5 Freeze on uncommitted budgets

- Given the significant financial challenge in delivering the targeted break-even position in year, the Governing Body agreed on 20th September 2017 to freeze expenditure from uncommitted budgets.

- This does not necessarily mean that the funds can never be spent, it might just be indicative of requiring slippage to ensure that the target is delivered in this financial year.

- Individual budget lines are being reviewed to identify uncommitted amounts. It is anticipated that this will realise approximately £3m. The areas that are going to be impacted include holding back development areas and holding under-spends in operational budget areas.

2.6 Quality, Innovation, Productivity and Prevention (QIPP)

- As identified in the opening budgets our QIPP target was £44.4m, including £10.5m demand management linked to the Dorset collaborative agreement. There were a number of risk areas identified within the plan, including a £14.8m unidentified QIPP.

- The table below summarises the current QIPP plans in terms of state of readiness.

Description	**£m**
Demand Management	**10.6**
Commissioner QIPP:	
Fully developed (embedded within budgets)	15.5
Plans in progress (pipeline schemes)	8.6
Identified opportunity	2.5
Unidentified QIPP (residual gap including additional £1.4m QIPP identified)	8.7
Commissioner QIPP total	**35.3**
TOTAL QIPP	**45.9**

- It should be noted that it has been agreed with NHS England to utilise £4.7m of the planned business rules to offset the CCG QIPP challenge.

- As identified in the last report additional costs above agreed plan of £1.4m have increased the scale of the QIPP challenge in year. The most significant element of this is £0.4m arising from a move to the CCG being charged market rents.

- The revised target for unidentified QIPP now stands at £11.2m, although as noted in the table above £2.5m opportunities have been identified.

- For the £8.6m plans in progress, the state of readiness of action plans is varied. Schemes representing £6.7m are deemed to be at high risk of non-delivery.

- A Finance Sustainability Task Force is in place. This is chaired by the Accountable Officer with lead officers clearly identified for targeted action areas, including prescribing, CHC and non-Dorset provider over-performance areas. This group is tasked to identify opportunity areas to mitigate the current unidentified QIPP levels.

- The corporate risk register is being updated to reflect risks around the delivery of QIPP plans which are behind target, namely prescribing, CHC and non-Dorset acute providers.

- A scheme level report update is included in Appendix 1.

2.7 Running Costs

- The move to market rents by NHS Property Services Ltd (NHSPS) has created an additional, recurrent cost pressure for the CCG of £390k. For 2017/18 this will be mitigated in part by late correcting credits from NHSPS for 2016/17, which are still being finalised.

- Depreciation charges in the financial year will to be lower than previously anticipated, as procurement of Information Management and Technology equipment is not going to occur until later than originally expected.

- Staff recruitment and changes in circumstances continue to be closely monitored. The impact of the Governing Body's decision to freeze uncommitted spend has not been felt within staffing budgets as yet, but as posts become vacant there will be a need to consider whether posts fall within committed or uncommitted spend.

2.8 Business Rules

- Local Contingency

    * The CCG identified in the opening plan a requirement to hold a 0.5% local contingency to manage any in year risks equivalent to £5.7m, including £0.5m held in respect of primary care delegated.

- Mandated Reserves

    * In addition to the CCG performance requirements there is also an expectation to hold back a 0.5% mandated contingency which is worth £5.14m, which is not available for local use and can only be released following agreement with NHS England. This reserve is targeted to ensure that the national NHS position is delivered across providers and commissioners.

    * It should be noted that if a similar treatment occurs in 17/18 as in 16/17, the CCG will have to report an in-year surplus of £5.1m and will increase our carried forward surplus mentioned in section 2 above.

    * In addition, original assumptions assume £0.5m in respect of primary care delegated.

2.9 Risks and Mitigations

- A number of risks have been identified in reporting against the September position, with the most significant risks being the level of unidentified QIPP and risks of over-performance in non-NHS and out of area providers.

- The financial risk inherent in the CHC backlog and potential impact of an increasing rate of conversions to eligibility and pursuant interest charges is of concern, as is the effect of high drugs prices resulting from drugs classified as NCSO (No Cheaper Stock Obtainable).

2.10 Cash

- The CCG is required to manage its cash to minimum levels by the end of the financial year; however during the year the level will vary. The position at the end of September reporting was £2.3m cash and cash equivalents held.

- Equivalent amounts held at the end of each month to date are set out below. This demonstrates that in the early part of the year the cash balances are generally higher as a result of the volatility of billing, particularly by local authorities.

Month end	Cash and cash equivalents held £m
April 2017	12.0
May 2017	8.7
June 2017	19.1
July 2017	4.3
August 2017	(0.4)
September 2017	2.3

2.11 Better Payment Practice Code (BPPC)

- The CCG is required as part of its administrative duty to pay 95% of all creditors within 30 days of receipt of goods or valid invoice. The table below shows the current cumulative position for April to September 2017. Performance to date exceeds the target of 95% by a comfortable margin.

NON NHS PAYABLES	Number	£'000
Non-NHS trade invoices paid in the year	13,992	136,770
Non-NHS trade invoices paid within target	13,701	135,386
Percentage of Non-NHS trade invoices paid within target	97.9%	99.0%
NHS PAYABLES	**Number**	**£'000**
NHS invoices paid in the year	2,048	379,289
NHS invoices paid within target	2,010	379,483
Percentage of NHS invoices paid within target	98.1%	100.1%

Note: credit notes included in the count can result in a performance greater than 100%

2.12 Better Care Fund

- Two-year Better Care Fund (BCF) plans for the period April 2017 to March 2019 for both Dorset and Bournemouth and Poole Health and Wellbeing Boards (HWBs) were submitted in September 2017 in line with the national timetable.

- The plans have been subject to an assurance process involving both NHS England and the Association of Directors of Adult Social Services and both plans have been confirmed as having 'Approved' status.

- This approval is in recognition of the fact that the plans have been agreed by all parties (local authorities, CCG and Health and Wellbeing Boards), and the plans submitted meet all requirements.

- The level of contribution for health in Dorset is as per the table below:

Expenditure	Annual Budget £'000	Forecast Outturn at end June 2017 (Q1) £'000	Forecast Variance £'000
Dorset Healthcare - Community	34,747	34,747	0
Moving on from hospital living (MOFHL)	10,706	10,706	0
Health (Core) Services	**45,453**	**45,453**	**0**
Integrated Community Equipment	5,089	5,089	0
Social Care Grant	16,407	16,407	0
Care Act Funding	1,988	1,988	0
Protecting Social Care	738	738	0
Carers	1,000	1,000	0
Non-Core Services	**25,534**	**25,534**	**0**
Social care activity new to BCF	68	68	0
Strong and Sustainable Care Markets	27,102	26,277	(825)
New BCF activity for 2017-18	**27,170**	**27,170**	**0**
TOTAL CCG element of BCF	**97,845**	**97,020**	**(825)**

Note 1 The £312k contingency for community equipment is not included within the BCF plan which therefore shows a CCG total of £97,845K.

- The new strong and sustainable care markets scheme is an aligned budget which represents an element of the CCG's continuing health care (CHC) budget. The scheme applies to Dorset HWB only and runs alongside our joint contract for purchasing care with Dorset County Council. There is no risk to the CCG arising from inclusion of this element in the BCF as the alignment is for transparency and monitoring purposes only at this stage, pending further discussion regarding future pooling of budgets.

- Quarter 1 monitoring of the strong and sustainable care markets element is set out below. The agreed aligned budget was below the level of spend for 2016-17 so a net overspend is not unexpected. The forecast for the CCG element only is below both 2016-17 spend and the 2017-18 aligned budget.

- Quarter 2 information was not available at the time of writing but, given the trajectory of CHC set out in section 2.4 above, a future forecast overspend for the CCG element of the aligned budget would not be unexpected.

Organisation Name	2016/17 spend £m	Agreed aligned budget £m	2017/18 Forecast outturn £m	2017/18 Variance £m	Comment
Dorset County Council	64.192	59.126	60.641	1.515	Over-spend
Dorset CCG	29.424	27.102	26.277	(0.825)	Under-spend
Total aligned position	**93.616**	**86.228**	**86.918**	**0.690**	**Over-spend**

- Further discussions are taking place with Bournemouth Borough Council and Borough of Poole regarding the potential for a similar alignment in the east of the county.

2.13 Quality Premium

- As part of mitigating the unidentified QIPP, Quality Premium was not factored in to be received, although it was identified in the opening QIPP as a targeted option with an estimate of £2m.

- Unfortunately the 2016/17 RTT position was not achieved which means the CCG has not earned £991k.

- Current projections for the final achievement which is still being validated nationally range between £900k to £1.5m against a potential value of £4.0m.

- Once the final position is confirmed by NHS England, which is now likely to be towards the end of 2017, this will be reported.

- The Quality Premium received in any financial year is dependent upon performance in the prior financial year. Active management of Quality Premium targets is underway for 2017/18 to maximise receipt in 2018/19.

2.14 Capital

- Clarity over capital funding and activity in any financial year tends to evolve as the year progresses. The table below sets out the most up to date position regarding capital schemes, allocation and progress made in 2017/18.

- Once agreement on schemes is received from NHS England then progress on programme areas can commence.

Capital Scheme	Allocation	Progress
CCG IM&T Capital	£560k	Project initiation document to be submitted by 3 November.
GP IM&T Capital	£710k	Project initiation document to be submitted by 3 November.
Minor Improvement Grants (Primary Care)	£691k	Funding has now been received by the CCG and Primary Care are working with successful practices to ensure schemes are completed in 2017/18.
Estates & Technology Transformation Fund (Primary Care)	To be confirmed *(Four schemes being progressed)*	The CCG's Primary Care team are working with the NHS England national team and have answered queries on two schemes' project initiation documents. The two remaining schemes' project initiation documents are being re-written and re-submitted, as there have been changes to the planned scope of the works to these.

2.15 System Position

- System Overview

  * Finance is still reported as being on track for delivery in the financial year by all Dorset providers but this position recognises the challenge around delivery of cost improvement plans (CIP) as the level of gap unidentified is £5.2m.

  * Agreed control totals are therefore still expected to be met and are shown in the table below:

Provider	**Control Total after STF £'m**	**STF Allocation £'m**
Royal Bournemouth	(6.6)	6.1
Poole	(3.1)	6.5
Dorset County	(2.9)	4.2
Dorset Healthcare	2.2	1.9
Aggregate Main Dorset Providers	**(10.4)**	**18.7**

  * Based on the current forecast outturn projections all providers are expecting to hit the control total element of the Sustainability and Transformation Fund (STF), which would deliver 70% of the total £18.9m funding.

- The remaining 30% of the STF is linked to performance element and was amended in June such that as well as the A&E four hour waits target (95%) an element of payment for front door GP streaming has been included. At present half of the performance element will be paid on A&E performance and half on GP streaming.

- There are a number of risks being managed that may prevent achievement of individual and system level control totals. There are inter-dependencies between the risks which make judging likely outcomes difficult e.g. CIP delivery directly impacts STF achievement.

- System Collaborative agreement

  - In setting contracts with the local Dorset providers it was agreed to share the financial risk of managing demand estimated at £10.5m. The CCG has an equal responsibility in delivering the actions to reduce this demand to be no more than the 2016/17 levels.

- The activity and performance headlines are that:

  - the system is largely keeping activity flat for emergency A&E attendances (-2.0%), however there is a deterioration on the position for emergency inpatients from 0.4% to 0.6%;

  - activity for acute referrals has dropped to 1.0% (2.2% in August 17) with outpatients below last year by (-2.0%). Elective inpatient activity is below plan by (-2.0%), this has improved compared to August which reported (-1.7%);

  - activity on GP referrals is holding at (-2.0%) across the collaborative providers for the year to date position for September and reflects a drop for all three acute providers on 2016/17 levels;

  - activity on consultant referrals was previously showing a significant increase (August 14.0%), however this has now improved to 8.4% across the collaborative providers, with Royal Bournemouth showing the most challenge at (13.3%) (August 24.5%). This improvement is as a result of reviewing and changing coding for ambulatory care as they were wrongly classified.

3. Conclusion

3.1 The Governing Body is asked to **note** the report.

3.2 Challenges in delivering the financial position in 2017/18 should be understood, with particular reference to the unidentified QIPP and the further actions that will need to be taken to deliver the in-year breakeven position, which currently means that we are not on track to deliver all the required financial targets.

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Date : **31 October 2017**
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APPENDICES	
Appendix 1	**QIPP plan and performance as at 30 September 2017**