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NHS DORSET CLINICAL COMMISSIONING GROUP

GOVERNING BODY MEETING

FINANCE REPORT AS AT 30 NOVEMBER 2017

Date of the meeting	17/01/2018
Author	H Morris, Assistant Director of Finance
Sponsoring Board member	S Hunter, Chief Finance Officer
Purpose of Report	To update the Governing Body Meeting on 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 September 2017 at its meeting in November 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 November 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 £9.4m 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
- Revenue Resource Limit
- Financial Performance Highlights and Exceptions
- Quality, Innovation Productivity and Prevention (QIPP)
- Business Rules
- Risks and Mitigations
- Cash
- Better payments
- 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 November 2017 the CCG is still expecting to achieve this position, through targeting and identifying additional QIPP plans, although £9.4m is still yet to be identified.

2.2 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	**9,118**
TOTAL RESOURCES	**1,157,871**

- The CCG as per the table above has also received additional allocations to a value of £9.1m. The most significant element of this received since the last Governing Body report is the £3.8m for Accountable Care System transformation.

2.3 Financial Performance Highlights and Exceptions

- The end of November financial performance to date provides a sound basis from which to forecast for the remainder of the year. Much of the reporting, however, continues to be 6 weeks to 2 months in arrears so caution needs to be exercised in forming conclusions. Specific elements to be highlighted at this point are:

- **Acute Services** **(£1.1m overspend forecast, previous reported position £1.5m over-spend forecast)**

  * Non-NHS contracts - Improvement of £100k from end September forecast. Over-spend in non-NHS contracts with a current forecasted extrapolation of £234k. 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 £347k from end September forecast. Current forecast is £135k 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.

  * Salisbury NHS FT. Deterioration of £375k against end September forecast. The end November forecast is £725k overspend.

- Yeovil District Hospital NHS FT forecast is static from end September. The end November forecast is £300k overspend.

- For all non-Dorset providers, efforts continue to ensure that activity for which the CCG is charged is within agreed contracts and care pathways and is for Dorset residents.

- Non-contract activity – Improvement of £243k from end September forecast. The forecast has swung from a £194k forecast overspend to a £49k forecast underspend. Much of the non-contract activity is non-elective and difficult to manage so the position can be volatile. 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.

- **Other mental health and learning disabilities (£0.1m overspend, previous reported position was £0.8m underspend)**

- There has been a deterioration of £867k against the end of September forecast. This is a combination of:

  - a £350k increase in the forecast overspend on patients who are eligible for free aftercare under section 117 of the Mental Health Act 1983. This represents 24 new cases during October and November offset by 10 placements that have ended. The local authorities make the placements and are the lead commissioner. The CCG has a statutory obligation to pay our share

  - a decrease of £517k in the forecast underspend on learning disability and mental health named patients. This is primarily due to four new learning disability inpatient placements and delays in transferring patients to the community due to staffing difficulties with the main step down provider.

- **Continuing Care (£1.3m over-spend forecast, previous reported position £1.1m over-spend forecast)**

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

	Annual Budget	Forecast spend for full year as at end Nov 2017	Forecast overspend		Over-spend change	Direction of travel
			As at end Nov 2017	As at end Sept 2017		
Expenditure Area	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	
Children's Continuing Care	2,806	3,630	824	894	(70)	Improving
Adults' Continuing Care	52,032	52,484	452	42	410	Deteriorating
NHS Funded Nursing Care	12,339	12,344	5	129	(124)	Improving
Total	**67,177**	**68,458**	**1,281**	**1,065**	**216**	Deteriorating

- The increased forecast expenditure reflects the continuing 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 £1.3m over-spend forecast is Children's' Continuing Care (CCC) which accounts for £824k of the total. This forecast overspend is 29% of the annual budget for CCC and is due to an increased number of children who need high cost care packages.

- In addition, the forecast for adults continuing care has worsened significantly. Investment in further staff resource to assist in clearing the CHC backlog has been agreed by Directors.

- **Prescribing (£2.5m over-spend forecast, previous reported position £1.2m overspend)**

  - This forecast marks a deterioration of £1.3m from the end of September forecast.

  - As reported to the Governing Body in November, there are indications 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.

* The increase in the forecast overspend to £2.5m reflects the impact of these factors and further increase in forecast for future months is likely.

- **Primary Care Delegated (£0.23m under-spend forecast, previous reported position £0.15m over-spend)**

  * The forecast position has swung from a £0.15m over-spend to a £0.23m under-spend because:

    - Contract payments to GPs are based on list sizes. The payments are adjusted following quarterly notifications of list size changes. We had been expecting significant increases in list sizes in the October notification but these did not materialise to the extent expected

    - The cost of arrears for rent reviews has been lower than expected

    - Additional rebates of business rates have been received and there has been benefit from other non-recurrent factors.

  * The forecast under-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 £1.2m. This is under discussion with NHS England.

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

Income and Expenditure	Annual Budget £'000	Forecast Expenditure £'000	Forecast Variance £'000	Previous Reported Variance £'000	Variance Change
Dorset Main Providers	643,743	643,743	0	0	Static
Other Acute Commissioning	110,719	111,825	1,106	1,510	Improving
Other Community and Partnerships	4,783	5,081	298	(20)	Deteriorating
Other Mental Health and Learning Disabilities	19,924	19,991	67	(800)	Deteriorating
Primary Care Delegated	101,110	100,882	(229)	149	Improving
Prescribing	122,707	125,191	2,484	1,170	Deteriorating
Other Primary Care	34,021	34,059	39	21	Deteriorating
Continuing Care	67,177	68,458	1,282	1,065	Deteriorating
Better Care Fund (non-core)	25,534	25,534	0	0	Static
Other Programmes	3,966	3,910	(56)	(56)	Static
Contingencies and Reserves	17,647	12,656	(4,991)	(3,038)	Improving
Unidentified QIPP	(9,444)	(9,444)	0	0	Static
Corporate Running Costs	15,985	15,985	0	0	Static
TOTAL EXPENDITURE	**1,157,871**	**1,157,871**	**(0)**	**0**	Static

Note - Movement is assessed against the last reported position, which was the report to the November 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
2017/18 Impact of Cat 'M' centrally held (1)	1.1
End of financial year reported surplus / (deficit)	**33.4**

(1) as indicated earlier in this report under section 2.3 – Prescribing, all benefits on category 'M' pricing are being held back centrally, however could be released to CCG surplus at end of financial year- this will vary throughout the year.

2.4 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 overleaf summarises the current QIPP plans in terms of state of readiness.

Description	£m
Demand Management	**10.6**
Commissioner QIPP:	
Fully developed (embedded within budgets)	17.8
Plans in progress (pipeline schemes)	8.6
Identified opportunity	1.4
Unidentified QIPP (residual gap including additional £2.0m QIPP identified)	8.0
Commissioner QIPP total	**35.8**
TOTAL QIPP	**46.4**

- 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.

- Additional costs above agreed plan of £2.0m 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 £9.4m, although as noted in the table above £1.4m 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 has been 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.

2.5 **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 a similar treatment is expected in 17/18 as in 16/17, so 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.

2.6 **Risks and Mitigations**

- A number of risks have been identified in reporting against the November 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).

  A number of non-recurrent measures are being pursued to mitigate the risks identified and implementation of suspending uncommitted investments is in place.

2.7 **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 November reporting was £5.9m 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 due to 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
October 2017	5.3
November 2017	5.9

2.8 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 November 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	19,035	179,067
Non-NHS trade invoices paid within target	18,613	176,961
Percentage of Non-NHS trade invoices paid within target	98%	99%
NHS PAYABLES	**Number**	**£'000**
NHS invoices paid in the year	2,651	504,494
NHS invoices paid within target	2,610	504,688
Percentage of NHS invoices paid within target	98%	100%

2.9 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.

- In terms of the final achievement for 2016/17 which is paid in 2017/18, communication received in December 2017 from NHS England confirmed that the CCG has definitely achieved £1,016k with only the assessment for early cancer diagnosis outstanding. This remaining element will be judged by NHS England in February 2018 when the data is available and could earn the CCG a further £508k.

- This £1,016k has been notified too late to be included in the end November position reported throughout the remainder of this report.

- 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.

2.10 **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 Information Management and Technology Capital	£497k	Project initiation document submitted, awaiting NHS England approval.
GP Information Management and Technology Capital	£710k	NHS England approval confirmed 11 December, enabling these schemes to now progress.
Minor Improvement Grants (Primary Care)	£691k	Funding received by the CCG and Primary Care are working with successful practices to ensure schemes are completed in 2017/18. £461k committed as at 30 November.
Estates and Technology Transformation Fund (Primary Care)	To be confirmed *(Four schemes being progressed)*	The CCG's Primary Care team are awaiting response/approval from NHS England national team following submission of answers to queries re-submission of revised schemes.

2.11 **System Position**

- System Overview

  * As at the end of November 2017, 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 £3.9m.

  * All providers are reporting that agreed control totals are therefore still expected to be met as shown in the table overleaf:

Provider	Control Total after STF £'m	STF Allocation £'m
Royal Bournemouth	(6.6)	6.4
Poole	(3.1)	6.5
Dorset County	(2.9)	4.2
Dorset Healthcare	2.2	1.8
Aggregate Main Dorset Providers	**(10.4)**	**18.9**

- Based on the forecast outturn projections at end November, 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.

- A&E performance is being monitored closely as the most up to date information from early January for Royal Bournemouth and Poole Hospital shows a high risk of not achieving the trajectories required to deliver the STF A&E element.

- 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:

  - Activity is broadly flat across the acute collaborative providers for 2017/18 compared to 2016/17, although there is pressure on unplanned care:

    - ✗ emergency A&E attendances (0.5% increase)
    - ✓ First and follow up outpatients (1.6% reduction)
    - ✓ elective inpatients (-4% reduction)
    - ✗ unplanned admissions (0.9% increase)

  - activity on Dorset CCG GP referrals is now at -3.5% across the collaborative providers for the year to date and this reflects a reduction for all three acute providers on 2016/17 levels.

There has been slippage on latest performance reports for the Dorset Collaborative, summarised below:

✓ 14 and 31 day cancer wait targets have been achieved.

However, the Collaborative is currently not achieving:

× 62 day cancer 85% standard just missed at 80.5%, which is due to Dorset County 70.45%.

× delivery of A&E standard of 95% which also links to achievement of Sustainability and Transformation Funding.

× 18 week Referral to Treatment (RTT) 92% standard, performance is 89.3%, due predominantly to Dorset County performance at 85.55%, Poole and Bournemouth are also below the standard at 90.4% and 89.92% respectively. It should be noted that observations have been made that with reductions in activity this could in the short-term lead to a worsened position for RTT.

× 99% 6 week Diagnostics Standard is at 89.34% for Dorset County particularly underperforming in audiology, respiratory medicine and endoscopy. Other acute providers are delivering the standard.

× 3.5% target for delayed transfers (DTOCs), performance is 5.1%. However it should be noted that this is a significant improvement on 2016/17, although Royal Bournemouth and Dorset Healthcare are still experiencing significantly increased levels.

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 reference to the unidentified QIPP and the further actions that will need to be taken to deliver the in-year breakeven position, including:

- Freezing expenditure from uncommitted budgets in accordance with the Governing Body decision of 20th September 2017;
- Continued challenge to any potential non-essential expenditure.

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Date : **3rd January 2018**
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APPENDICES	
Appendix 1	**QIPP plan and performance as at 30 November 2017**