

NHS DORSET CLINICAL COMMISSIONING GROUP
GOVERNING BODY MEETING
FINANCIAL PERFORMANCE AS AT 31 MARCH 2017

Date of the meeting	17/05/2017
Author	A Gladwell, Assistant Director of Finance
Sponsoring Board Member	P Vater, Chief Finance Officer
Purpose of Report	Update the Governing Body on the financial performance for the financial year ending 31 March 2017.
Recommendation	The Governing Body is asked to note the report.
Stakeholder Engagement	N/A
Previous GB / Committee/s, Dates	The Governing Body approved the following recommendation on 20 July 2016: Freeze of spend against uncommitted budgets with immediate effect across the entire CCG. Exceptional spend to be at the discretion of the Accountable Officer and/or Chief Finance Officer. This action supports the delivery of the 2016/17 surplus target of £17,698K.

Monitoring and Assurance Summary

This report links to the following Strategic Principles	<ul style="list-style-type: none"> • 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 : AG

1. Introduction

- 1.1 The purpose of this report is to update the Governing Body on the financial performance for the financial year ending 31 March 2017.
- 1.2 The planned surplus target challenge for 2016/17 remained constant at £17,698k or 1.5% of the 2016/17 confirmed resource limit. Current financial planning mandates 1% of resource limit for surplus target. Drawdown of the non-recurrent surplus is subject to very strict assurance controls via NHS England.
- 1.3 As part of the 2016/17 planning guidance NHS England requested the CCG create 1% or £11.1m uncommitted headroom as a system risk reserve in addition to the agreed £17.7m control total.
- 1.4 NHS England confirmed in March that they expected CCGs to report the 1% headroom as additional surplus, giving a total surplus of £28.8m.
- 1.5 The following areas are reported within this paper:
- Appendix 1 - Board Summary 2016/17
 - Appendix 2 - Detailed Summary 2016/17
 - Appendix 3 - Primary Care Analysis 2016/17
- 1.6 At 31 March 2016, Dorset CCG's lead providers had an aggregate deficit of £23.1m:

Annual Reported Surplus/(Deficit)	2015/16 Actual £m
Dorset County Hospital	(5.5)
Dorset Healthcare University	(1.9)
Poole Hospital	(4.1)
Royal Bournemouth & Christchurch Hospitals	(11.6)
Total	(23.1)

- 1.7 Providers in Dorset signed up to the Sustainability & Transformation Fund (STF). The STF requires strict delivery of agreed financial control milestones which are assessed on a quarterly basis.

STF 2016-17	STF £m
Dorset County Hospital	4.7
Dorset Healthcare University	1.9
Poole Hospital	7.9
Royal Bournemouth & Christchurch Hospitals	7.6
Total	22.1

- 1.8 The local providers had planned for an aggregate deficit of £8.0m for 2016/17, but through a combination of STP, cost improvement programmes and a stronger than expected month 12, they are now anticipating reporting a small surplus for the year.
- 1.9 NHS Dorset CCG achieved its QIPP (Quality Innovation Productivity & Prevention) through a combination of cost avoidance and cash releasing savings, supported by the Financial Sustainability Task Force.

2. Overall Financial Performance

- 2.1 The financial outturn for the year ending 31 March 2017 is attached (Appendix 1), with supporting commentary on significant variances below.
- 2.2 Dorset CCG benefitted from a return of surplus of £17,698k. The return of surplus from 2015/16 has been directly invested in delivery of the 2016/17 surplus of £17,698k. This is a non-recurrent source of funds as it is a return of previous year's final position. It should be noted that the return of surplus process would also apply to any year end deficit and NHS England rules would require this to be repaid in the following year, which quickly creates a compounded effect on debt.
- 2.3 Where the CCG has managed contracts in place, increases in referrals above planned levels are managed in year by providers but this creates a stepped change risk for 2017/18. Tariff uplifts for 2016/17 included baseline 1.1% uplift on 2015/16 prices and a requirement to purchase activity and move away from managed contracts. This has resulted in risk share arrangements in place with lead providers for both over performance and excluded drugs of £4.6m.
- 2.4 The CCG adopted a reactive response to understanding and focusing on variation, to ensure value for money by applying the **Right Care** approach and the establishment of the Financial Sustainability Task Force to challenge variation. The Clinical Commissioning Local Improvement Plan for 2016/17 was been modified to support general practice in understanding this variation.
- 2.5 The CCG developed a Practice Profiling Group to identify variation and support general practice and the wider health system. Its purpose is to first understand why and then look for resolution, as appropriate, through best practice.
- 2.6 The Quality Premium (QP) represented a £3.8m opportunity to the CCG. NHS Dorset CCG received £567k for 2014/15 performance and, based on 2015/16 measures, received £846k in 2016/17. This represented a missed opportunity for the Dorset health economy of £3m, though it should be noted that this followed a successful challenge on the initial 2015/16 performance for QP achievement of only £400k, as the CCG delivered local targets for both Ambulance and Dementia.

2.7 NHS Contracts

Royal Bournemouth & Christchurch Hospital NHS FT	Trend	Year End
<p>The position as at 31 March for Dorset CCG represents an overspend against activity. It should be noted that activity was capped at £3.5m for 2016/17 and represents continued risk for 2017/18.</p> <p>GP referral rates were 5% above 2015/16 levels. This growth %age is partly due to the impact of RBH closing choose & book slots in Q1 of 2015/16.</p> <p>Higher than expected activity has been experienced within Elective Admissions and Day Cases. Emergency admissions are currently forecast above expected levels. Digestive is the largest area of overspend, with significant variance also seen in urinary tract and male reproductive system.</p>		£3,481k

2.8

Poole Hospital NHS FT	Trend	Year End
<p>The position at 31 March for Dorset CCG represented an additional cost against activity of £2.7m. It should be noted that this is a managed contract for 2016/17 but increased growth represents significant system and financial risk. The £227k year end cost pressure relates to Neurology which is a cost and volume element of the contract for 2016/17.</p> <p>GP Referrals showed 3% growth compared to a 2015/16 baseline. It should be noted that due to RBCHFT closing choose and book beds PGHFT experienced very high levels of referrals in 2015/16.</p> <p>Emergency Admissions were the main driver of the increased underlying costs, being £2.1m above plan. The lead contributors to this were respiratory, pneumonia and acute lower respiratory tract disorders.</p>		£227k

2.9

Dorset County Hospital NHS FT	Trend	Year End
<p>The Trust position for Dorset CCG at 31 March suggests an underspend against activity. The financial position, though, remained at the maximum cap level due to the uncertainty in the activity forecast. There was a considerable reduction in elective activity throughout the July and August holiday period, which is driving the reduction in activity below expected levels.</p> <p>GP Referrals are flat at 0% compared to 2015/16 baseline.</p> <p>Emergency department growth from November through to March is of concern, moving from a small year to date underperformance in October to £770k above expected levels at year end. The Trust's conversion of A&E attendances to emergency admissions remains higher than national and local trust rates.</p>		<p>£1,176k</p>

2.10

Yeovil	Trend	Year End
<p>The Trust position at 31 March for Dorset CCG shows an overspend against expected activity of £661k. It should be noted this is a managed contract, except for the transfer of physiotherapy activity from October to March to DHC.</p> <p>GP Referrals are 14% above the 2015/16 baseline, predominately from ENT, general surgery and cardiology. Reliable referral data is currently still not available due to the provider upgrading their Patient Administration System (PAS) and Business Intelligence is reviewing the information supplied by the provider.</p> <p>Emergency admissions are of concern at £577k above expected levels.</p> <p>The CCG invested 5.3% growth within this contract based on the 2015/16 budget.</p>		<p>(£7k)</p>

2.11

Salisbury Hospital Foundation Trust	Trend	Year End
<p>The Trust position at 31 March for Dorset CCG represents an overspend against expected activity of £501k. Whilst the CCG has reported a small underspend of £6k, as figures were not available at year end, a risk reserve has been created for a £250k overspend that Salisbury is expected to settle at.</p> <p>Pressure can be seen within elective inpatient and local tariff cost and volume elements. The CCG is also responsible for delayed discharge day rates for spinal patients; spinal patients below the threshold are funded by NHS England via specialist commissioning. Delayed discharges are charged at £450 per day.</p> <p>GP referrals at 31 March are running at 3% below 2015/16 baseline levels.</p>		<p>(£6k)</p>

2.12

University Hospitals Southampton NHS FT	Trend	Year End
<p>The Trust position at 31 March for Dorset CCG represents an overspend of £731k against expected levels. It should be noted this is a full cost and volume contract via South, Central & West Commissioning Support Unit.</p> <p>The most significant overspending area has been elective activity, mainly cardiac, hepatobiliary and pancreatic.</p>		<p>£731k</p>

2.13 Prescribing

Practice Prescribing	Trend	Year End
<p>The current forecast outturn position issued by the NHS Business Services Authority (NHS BSA) is based on the January 2017 prescribing data and continues to indicate an underspend against the approved budget.</p> <p>However, the NHS BSA forecast is historically unreliable and the latest position is showing a substantial adverse movement from the Q1 reported forecast, so at this point we do not believe that the national profiling is fully considering the gradual build-up of expensive NOAC prescribing experienced over the course of 2015/16. This is artificially suppressing the NHS BSA reported forecast position.</p> <p>Internal forecasting supports a £1,088k underspend should the current year to date growth trend continue.</p> <p>As part of the Financial Sustainability Task Force the CCG finance team is working closely with the Chief Pharmacist and the Medicines Optimisation Group to highlight variances and identify innovative ways to create efficiencies.</p> <p>The Task Force challenged protocols concerning low value prescribing items and the need to understand other commissioner's approach to this area, wider risks and opportunities.</p>		<p>(£1,088k)</p>

2.14 Continuing Care

Continuing Health Care (CHC) & Funded Nursing Care (FNC)	Trend	Year End
<p>CHC & FNC reported a net underspend of £3.9m at 31 March, which is linked to a £2m gain share arrangement with the Local Authorities. In addition, the joint CHC work programme continues with the three Local Authorities to reduce CHC demand and care costs.</p> <p>This joint work programme supports the Better Care Fund investment made by the CCG, with the reciprocal commitment from the three Local Authorities to continue to reverse the trend of CHC expenditure and growth.</p> <p>In year capacity of nursing and residential beds has remained steady. Although several smaller homes recently closed, market capacity was boosted by a number of new or expanded purpose-built units opening. There has been an expansion of self-funded nursing home provision as part of major housing development schemes within Dorset.</p> <p>To enable timely hospital discharges it becomes necessary to place patients in homes at a higher weekly cost. This demonstrates the challenge with market management in limited bed availability in Dorset.</p> <p>Initial indications and previous benchmarking supports that a cost per case focus and market development offers financial opportunity and needs to be fully resourced and explored.</p> <p>The CHC team in conjunction with Finance & Performance colleagues are working with Local Authorities to engage with providers to ensure there is appropriate capacity for CHC patients.</p> <p>It should be recognised that adults and children's CHC is £8.4m underspent. This is offset by a nationally mandated uplift for FNC of 40% which, alongside activity pressure, resulted in a cost pressure of £4.5m.</p>		(£3,887k)

2.15 Community Health Services

Dorset Health Care Foundation Trust	Trend	Year End Forecast
<p>The total value of healthcare contracts with Dorset HealthCare University NHS Foundation Trust is £197m, however £27m is shown within the Better Together budget area. This is the CCG's largest contract.</p> <p>The majority of services are contracted on a managed basis, however a small element is commissioned on a cost per case basis.</p> <p>Cost per case activity for pain, leg ulcer year of care and pulmonary rehabilitation all reported underspends in year, though this was offset by dermatology and endoscopy overspends.</p> <p>There are now three smaller, separate contracts, as the Weymouth Urgent Care Centre has been added at £1,125k in 2016/17, with a full year impact of £1,498k, along with the Acquired Brain Injury and Med TOP, which are valued at £217k and £78k respectively.</p>		<p>(£385k)</p>

2.16 Non-NHS Contracts

BMI, New Hall & Non NHS Contracts	Trend	Year End
<p>As at 31 March, BMI Healthcare was £2,305k over contract.</p> <p>This overspend is entirely within Day Case and Elective Orthopaedic admissions and can be seen at both the Winterbourne and Harbour sites, with the data alone showing a circa 17.1% increase in referrals compared to 2015/16, although this has slowed slightly more recently.</p> <p>Ramsey New Hall Spinal & Orthopaedics contract outturn position was £297k below planned levels. Referrals for this provider are 16% higher than 2015/16 levels; again, this trend has slowed.</p> <p>Nuffield is £667k over expected levels, mainly within orthopaedics.</p> <p>Overspends are due to a high increase in GP referrals to these independent sector providers for orthopaedic activity.</p>		<p>£2,972k</p>

<p>The Right Care programme is looking into advice and guidance and triage systems, with a view to providing more controls to referral arrangements.</p> <p>The Chief Finance Officer has also facilitated a call involving our Secondary Care Member with Dorset County Hospital, to assess how the NHS can compete better with the independent sector for elective and day case work.</p>		
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2.17 Primary Care

Primary Care Delegation	Trend	Year End
<p>As at 31 March 2017, the Primary Care delegated budget for 2016/17 was £99,497k. Appendix 3 provides a detailed analysis of Primary Care, both delegated and core; core being CCG core primary care funded services.</p> <p>Dorset CCG Finance has worked closely with NHS England finance teams concerning the funding of local contracts and the impact of the PMS premium calculation. This was adjusted within the month 7 position.</p> <p>The CCG is in a process of reviewing the impact of the over 75 schemes. As part of this process there will be an extension of existing schemes. Over 75 schemes are valued at £3.9m for 2016/17. The CCG has recovered circa £300k of 2015/16 scheme underspends.</p> <p>The Clinical Commissioning Local Improvement Plan (CCLIP) was revised for 2016/17. The revised CCLIP came into effect from 1 December 2016 and was valued at £2.3m for 2016/17. It is recognised that the CCLIP will continue to evolve to be aligned in supporting the GP Referral work stream.</p> <p>On the 1 April 2016 the Primary Care support contract provision has moved from Shared Business Services (SBS) to Capita and this continues to cause concerns around payment processes which have been escalated to NHS England.</p> <p>The primary care budget has been adjusted to reflect all national uplifts for 2016/17 and adjustments following the PMS Premium review.</p>		<p>(£21k)</p>

2.18 **Better Care Fund**

Better Care Fund	Trend	Year End
<p>The Better Care Fund includes a gain share arrangement with Local Authority partners concerning Continuing Health Care and financial performance. The CCG also contributes to Integrated Community Equipment Store (ICES) financial over performance. The year end overspend of £1,032k is split as follows:</p> <p>Continuing health care Risk Share £500k DCC Rapid Response Contribution £160k BBC Continuity of Service £125k BOP Continuity of Service £100k ICES Cost Pressure £247k DHC ICES Risk Share (£100k)</p>		£1,032k

2.19 **Resource Limit**

Resource Limit	Trend	Year End Forecast
<p>The CCG's allocation as at 31 March 2017 was £1,161,142k, which has been confirmed with NHS England.</p>		£0

2.20 **Other Financial Targets**

2.21 The BPPC (Better Payment Practice Code) requires NHS organisations to pay 95% of all invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. The payment performance at 31 March 2017 shows a 98.8% cumulative performance for NHS invoices and 98.0% for non-NHS invoices.

3. **Conclusion**

- 3.1 The CCG has delivered a surplus of £28.8m at 31 March 2017, made up of the £17.7m control total and £11.1m system risk reserve NHS England requirement.
- 3.2 Continuing Health Care has continued to underspend, although this has been offset partially by the national imposed uplift for FNC of £3.8m. There is a continued focus on market development with Dorset County Council to test price per care package, when compared to other areas.
- 3.3 A system wide approach has been followed which has allowed access to the STF fund of £22.1m for the Dorset provider system in 2016/17. Very good progress has been made by providers, with local providers anticipating a small aggregate underspend.

- 3.4 The 2017/18 funding position is incredibly challenging following a funding formula revision for Dorset in 2016/17, compounded recently by HRG4+ allocation adjustment. This leaves a net movement in resources of only £4.7m projected for 2017/18. **The CCG is currently challenging the HRG4+ deduction adjustment with NHS England.**
- 3.5 The Quality Premium represents a financial opportunity for the CCG as NHS England plans remove any in year QP benefit. This opportunity needs to be explored, as the premium is valued at £3.8m for 2017/18, and contracting processes need to be aligned accordingly to support the delivery.
- 3.6 Details of the £4.7m increase in resources are shown below for 2017/18:

2017/18 Funding Adjustments*	£000's
Growth Allocation 2017/18 Core – 2%	£20,179
Growth Allocation 2017/18 Primary Care	£1,900
HRG4+ National Adjustment	(£8,546)
Removal of non-recurrent lodgement	(£8,788)
Net funding position 2017/18*	£4,745

*This excludes specialist commissioner adjustments, which are expected to bring equal and opposite resource and additional costs via NHS England

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APPENDICES	
Appendix 1	Board Summary 2016/17
Appendix 2	Detailed Summary 2016/17
Appendix 3	Primary Care Analysis 2016/17