

NHS DORSET CLINICAL COMMISSIONING GROUP
GOVERNING BODY MEETING
FINANCE REPORT AS AT 31ST MAY 2017

Date of the meeting	19/07/2017
Author	N Rowland, Deputy Chief Financial Officer
Sponsoring Board member	S Hunter, Chief Finance Officer
Purpose of Report	Update the Governing Body on the CCG financial performance for the financial year 2017/18.
Recommendation	The Governing Body is asked to note the report.
Stakeholder Engagement	Summarise engagement with members, clinicians, staff, patients & public.
Previous GB / Committee/s, Dates	Governing Body approved the opening 2017/18 budgets submitted as papers in March 2017 and May 2017.

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 : NR

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 31st May 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 QIPP plans and identify £10.7m 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
 - Local Contingency
 - Mandated Reserves
 - Risks and Mitigations
 - Better Care Fund
 - Quality Premium
 - System Position
 - System Overview
 - System Collaborative Agreement

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 May 2017 the CCG is still expecting to achieve this position, through targeting and identifying additional QIPP plans.

2.2 National changes to reporting

- 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.
- CCGs are still also required to comply with maintaining a cumulative 1% surplus, which is assessed excluding primary care delegated funding.
- For Dorset CCG this means planning an in-year break-even position as noted in the Forecast Outturn section of this report and the CCG is compliant with the 1% business rules requirement due to a carried forward surplus of £27.2m (2.6%).

2.3 Revenue Resource Limit

- The annual revenue resource limit remains unchanged from the opening budget paper of £1,148.8m, which includes 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 RESOURCES	1,148,753

2.4 Financial Performance Highlights and Exceptions

- Month 2 is generally too early to be able to draw any conclusions around overall financial performance of the CCG as much of the reporting is 6 weeks to 2 months in arrears. However, there are some specific early elements to highlight:
- **Acute Services (£1.9m over-spend forecast)**
 - * Over-spend in non-NHS contracts with a forecasted extrapolation of £606k linked to the continuation of the trend from 2016/17. There is no data available to confirm delivery of reduction of historical trend that has been targeted, although an improvement is expected.
 - * Over-spend on month 1 data at Southampton University Hospitals NHS FT with a forecasted extrapolation of £960k based on an in month April over spend of £97k, with a significant proportion relating to critical care. This is a similar trend to 2016/17.
 - * Similar projections to Southampton have also occurred in respect of the 2 Bristol Trusts and Portsmouth, which are also supported by the South Central CSU, with an over-spend projection of £315k.
 - * It should also be noted that adjustments for specialist commissioning portfolio changes have not been adjusted in these provider positions, so this position could improve slightly.
 - * Leads have been identified in the CCG both in respect of the over-spend areas and equally therefore for delivery of QIPP. Action plans are currently in the process of being developed to address the current forecasted pressures. In addition specific actions are being taken to address the activity that is currently flowing to the independent sector, including presentation of options for discussion at a system level. Discussions have also been initiated in respect of Southampton with the commissioning support services to understand what actions are being taken.
- **Continuing Care (£0.34m under-spend forecast)**
 - * A continued reduction in eligible continuing care patients and improved management of personal health budgets, linked with a reduction in eligible funded nursing cases is continuing the trend from 2016/17.
 - * It should be noted however that a backlog waiting list linked to decision support tool (DST) assessments, does create a risk around accuracy of spend predictions and equally increases costs as interest is attributable.

9.3

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

Income and Expenditure	Annual Budget £'000	Forecast Expenditure £'000	Forecast Variance £'000	Variance Movement (note 1)
Dorset Main Providers	642,124	642,124	0	→
Other Acute Commissioning	110,322	112,203	1,881	↑
Other Community and Partnerships	4,829	4,829	0	→
Other Mental Health and Learning Disabilities	20,104	20,104	0	→
Primary Care Delegated	101,165	101,165	0	→
Prescribing	122,707	122,707	0	→
Other Primary Care	32,027	31,907	(120)	↓
Continuing Care	67,177	66,837	(340)	↓
Better Care Fund (non-core)	25,534	25,534	0	→
Other Programmes	3,736	3,898	162	↑
Contingencies and Reserves	8,571	6,987	(1,584)	↓
Mandated Risk Reserve 0.5%	5,138	5,138	0	→
Unidentified QIPP	(10,665)	(10,665)	0	→
Corporate Running Costs	15,985	15,985	0	→
TOTAL EXPENDITURE	1,148,753	1,148,753	0	→
TOTAL RESOURCES	1,148,753	1,148,753	0	→
SURPLUS/(DEFICIT)	0	0	0	→

note 1 - Movement is assessed against the last reported position, which was the opening budget

- 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 aiming to meet 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

Quality Innovation Productivity 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 seeks to summarise the QIPP plans in terms of state of readiness.

Description	£m
Demand Management	10.5
Commissioner QIPP:	
Fully developed (embedded within budgets)	15.2
Plans in progress (pipeline schemes)	8.6
Identified opportunity	3.4
Unidentified QIPP (residual gap, before contingency, including additional £0.5m costs identified)	7.2
Commissioner QIPP total	34.4
TOTAL QIPP	44.9

- It should be noted however that agreement with NHS England to utilise £4.7m of the planned business rules to offset this figure has been reached.
- Additional costs have also been identified post opening budget setting of £0.5m for an adjustment on PTS of £0.2m and additional costs related to extension on 111 of £0.3m.
- It should therefore be noted that the revised target for unidentified QIPP now stands at £10.7m, although as noted in the table above £3.4m opportunities have been identified.
- It should also be noted that this continues to feed into the Finance Sustainability Task Force chaired by the Accountable Officer with lead officers clearly identified for targeted action areas, including prescribing, continuing care and non-Dorset provider over-performance areas as well as identifying areas to mitigate the current unidentified QIPP levels.
- A scheme level report update is not available for May as work is progressing with leads, however a report will be made available at the end of Quarter 1.

2.5 Running Costs

- The CCG has a running cost allocation, however it set a budget with a reduced spend expectation at £16m. These budgets are being reset to take account of pay awards and moving from a mid-point budget setting process to setting the budget based on the actual staff member band and increment point to improve budget management and control.
- More detail will be provided in future reports.

2.6 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 2.2.
 - * In addition, original assumptions assume £0.5m in respect of primary care delegated.

2.7 Risks and Mitigations

- A number of risks have been identified in reporting against the month 2 position, with the most significant risk still the level of unidentified QIPP and risks of over-performance on out of area providers.
- Further detail will be provided in future reports.

2.8 Better Care Fund

- National guidance is still not published and therefore plans are still in an early outline form.
- It should be noted that the recurrent budgets have been rolled forward from 2016/17 with an uplift applied to the social care grant element of the fund, however non-recurrent funding was removed and has been accepted by wider stakeholders and implications taken forward as part of the social care budget announcement discussions.
- The current level of contribution planned for health in Dorset is therefore as per the table below:

Expenditure	Annual Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Dorset Healthcare - Community	27,039	27,039	0
Health (Core) Services	27,039	27,039	0
Integrated Community Equipment	5,089	5,089	0
Community Equipment Contingency	312	312	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
TOTAL	52,471	52,471	0

- Other areas are also in scope to be included, such as Learning Disability Campus, Transforming Care Partnerships and alignment in Health and Social Care (West) programme areas linked to market management and continuing care, so this will change throughout the year.

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.
- 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 likely to be in the second quarter, this will be reported.

2.10 System Position

- System Overview
 - * All Dorset providers have indicated that they were either on track or ahead of plan in reporting for month 2, however it should be noted that this is predominantly linked to the phasing of cost improvement plans (CIP) to the latter end of the financial year.
 - * Agreed control totals are 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

- * It should also be noted that there are is still some level of unidentified CIP which makes the delivery of control totals a higher level of risk, with a higher level of concern expressed by Dorset County Hospital.
 - * Dorset County Hospital has reported that cash may need to be borrowed by September 2017. This is being explored by them.
 - * Sustainability and Transformation Funding (STF) income is currently still all planned in full and 30% of the funding is attributed to performance on 4 hour waits in A&E and GP front door streaming. All providers are delivering against their agreed trajectories at month 2, however there is a risk of achievement on the GP streaming, with conversations taking place between providers and NHS Improvement.
- 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.
 - * It is too early to make a credible assessment of performance, however there are small positive indications in some areas and

in particular in unplanned care, however this might be more related to holiday work patterns, so a continuous oversight at the Operations and Finance Reference Group will remain for the foreseeable future and reported as a clearer picture becomes apparent.

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 : 28th June 2017

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