

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

Date of the meeting	20/09/2017
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 May 2017 at its meeting in July 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 : 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 31 July 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 £11.3m 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
 - Cash
 - Better payments practice code
 - 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 early September 2017 the CCG is still expecting to achieve this position, through targeting and identifying additional QIPP plans, although £11.3m is still yet to be identified and risks to delivery of the break-even 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	3,230
TOTAL RESOURCES	1,151,983

- The CCG as per the table above have also received additional allocations to a value of £3.2m, comprising:
 - * Pass-through funding to South West Ambulance for Paramedics re-banding and Resilience of £2.1m
 - * Pass-through Vanguard funding of £0.6m
 - * IT Funding for WiFi and HSCN of £0.8m
 - * Removal of funding relating to Sixpenny Handley to transfer to Wiltshire CCG of (£1.1m)
 - * National improvement programme areas including IAPT, cancer and training care navigators of £0.6m

- * Market rents adjustment as centrally assumed a proportion is funded in CCG baselines (*this was not anticipated*) (£0.4m)
- * STP infrastructure funding £0.3m
- * Clinical waste correction £0.1m
- * Primary Care Out of Hours £0.2m.

2.4 Financial Performance Highlights and Exceptions

- Month 4 is still too early to be able to draw any firm 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 elements to mention:
- **Acute Services (£2.1m overspend forecast, previous reported position £1.9m over-spend forecast)**
 - * **Deterioration of £178k from end May forecast.** Over-spend in non-NHS contracts with a forecasted extrapolation of £784k for the full year. Action plans are being formulated to address increasing activity in the independent sector.
 - * **Improvement of £407k from end May forecast.** Southampton University Hospitals NHS FT forecast has been volatile in the first four months of the year. Current forecast is £553k over-spend and we will continue to review activity and monitor closely as this contract has historically overspent.
 - * **Deterioration of £458k from end May forecast.** Both Yeovil District Hospital NHS FT and Salisbury NHS FT had a nil variance forecast at the end of May. The position has worsened in the two months to end July with forecast overspends now of £315k for Salisbury and £143k for Yeovil. Activity for each provider is being analysed and action plans formulated where demand and referrals can be managed.
 - * **Deterioration of £69k from end May forecast.** Non-contract activity forecast over-spend of £386k. 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.

9.3

- * Action plans are being formulated to address the current forecasted pressures. Discussions are also ongoing in respect of Southampton with the commissioning support services to understand what actions are being taken.
- **Continuing Care (£0.4m over-spend forecast, previously £0.3m under-spend forecast)**
 - * July 2017 has seen an increase in the conversion rate of assessment for CHC eligibility and this, coupled with the ongoing high level of risk and uncertainty in the CHC position has resulted in a swing to a forecast overspend
 - * The financial risk attached to an increasing conversion rate is exacerbated by a high level of backlog cases, with interest charges compounding the pressure. A significant number of retrospective cases are also held with interest charges accruing on successful claims.
- The table below shows the forecast end of year position on key reporting lines based on the July 2017 information.

Income and Expenditure	Annual Budget £'000	Forecast Expenditure £'000	Forecast Variance £'000	Previous Reported Variance £'000	Variance Change (note 1)
Dorset Main Providers	642,999	642,999	0	0	→
Other Acute Commissioning	112,096	114,202	2,106	1,881	↓
Other Community and Partnerships	4,921	4,762	(159)	0	↑
Other Mental Health and Learning Disabilities	20,104	19,304	(800)	0	↑
Primary Care Delegated	100,419	100,419	0	0	→
Prescribing	122,707	122,707	0	0	→
Other Primary Care	32,332	32,311	(20)	(120)	↓
Continuing Care	67,177	67,585	408	(340)	↓
Better Care Fund (non-core)	25,534	25,534	0	0	→
Other Programmes	3,840	4,020	180	162	↓
Contingencies and Reserves (note)	15,133	13,418	(1,715)	(1,584)	↑
Unidentified QIPP (note 2)	(11,263)	(11,263)	0	0	→
Corporate Running Costs	15,985	15,985	0	0	→
TOTAL EXPENDITURE	1,151,983	1,151,983	0	0	→

note 1 - Movement is assessed against the last reported position, which was the May 2017 Governing Body meeting report

note 2 - Unidentified QIPP has increased within the budget due to use of contingency

- 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 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	2.6
Unidentified QIPP (residual gap, before contingency, including additional £1.1m QIPP identified)	8.7
Commissioner QIPP total	35.1
TOTAL QIPP	45.6

- 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 have also been identified post opening budget setting of £0.5m, however since then a further £0.4m related to market rents and £0.2m related to use of a contingency for walk in centre have also now been factored in to increase the scale of the QIPP challenge,
- The revised target for unidentified QIPP now stands at £11.3m, although as noted in the table above £2.6m opportunities have been identified.

- For the £8.6m plans in progress, the state of readiness of action planning is varied. Schemes representing £8.3m 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 plans, including prescribing, continuing care and non-Dorset provider over-performance areas. Identification of areas to target for unidentified QIPP is also on the agenda.
- A scheme level report update is included in Appendix 1.

2.6 Running Costs

- The 2017-18 challenge is to maintain the £504k QIPP achieved in 2016/17 and contribute a further QIPP saving of £326k identified in the opening budget.
- Largest risk is around NHS PropCo charges and increased depreciation currently forecast as £567k (16/17 £404k).

2.7 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.

2.8 Risks and Mitigations

- A number of risks have been identified in reporting against the July 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 also of concern.

2.9 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 July reporting was £4.3m cash and cash equivalents held.

Description	£m
Invoices outstanding from 2016/17, yet to be authorised for payment	£1.3
Local Authorities, including Better Care Fund	£2.6
Other anticipated smaller contracts and invoices	£0.4

- Invoices outstanding from 2016/17 are at various points of discussion, with some elements still being disputed but allowed for within the cash estimates.
- The main point of note is the slow invoicing from local authorities which is being discussed with partners. Quarter 1 and July invoices were paid in August.

2.10 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 July 2017.

NON NHS PAYABLES	Number	£'000
Non-NHS trade invoices paid in the year	7793	84,530
Non-NHS trade invoices paid within target	7698	84,008
Percentage of Non-NHS trade invoices paid within target	98.8%	99.4%
NHS PAYABLES	Number	£'000
NHS invoices paid in the year	1303	251,223
NHS invoices paid within target	1281	251,414
Percentage of NHS invoices paid within target	98.3%	100.1%

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

2.11 Better Care Fund

- Better Care Fund (BCF) plans for both Dorset and Bournemouth and Poole Health and Wellbeing Boards (HWBs) are due for submission by 11th September 2017. At the time of writing, partners are on track to gain approval for submission through delegations agreed by HWBs.
- 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. This removal has been debated 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 as per the table below:

Expenditure	Annual Budget £'000	Forecast Outturn £'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
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
Social care activity new to BCF	68	68	0
Strong and Sustainable Care Markets	27,102	27,102	0
New BCF activity for 2017-18	27,170	27,170	0
TOTAL CCG element of BCF (Note 1)	98,157	98,157	0

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 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.

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

2.12 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.

2.13 System Position

- System Overview
 - * All Dorset providers have indicated that they were either on track or ahead of plan in reporting for month 4, 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.

- * 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 4, 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.
 - * At month 4 the activity for the Dorset acute providers is holding for planned, unplanned and A&E at no more than 2016/17 levels. However, it should be noted that this is not evenly distributed with some specialties showing particular challenges and, in particular, dermatology has been highlighted for further action.
 - * It should also be noted that GP referrals are currently reporting at 1.1% less than 2016/17, however total referrals are at 3.1% increase.

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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APPENDICES	
Appendix 1	QUIPP Scheme Level Report