

NHS DORSET CLINICAL COMMISSIONING GROUP
GOVERNING BODY MEETING
FINANCIAL PERFORMANCE AS AT 31st January 2016

Date of the meeting	16/03/2016
Author	C Hickson - Head of Management Accounting, Financial Planning & Primary Care
Sponsoring Board Member	P Vater - Chief Finance Officer
Purpose of Report	Update the Governing Body on financial performance for the financial year 2015-16.
Recommendation	The Governing Body is asked to note the report.
Stakeholder Engagement	N/A
Previous GB / Committee/s, Dates	N/A

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 : CH

1. Introduction

- 1.1 The purpose of this report is to update the Governing Body on the financial performance for the financial year ending 31st March 2016.
- 1.2 The surplus target has increased from £14,832K in 2014-15 to £17,698K in 2015-16 or 1.7% of the 2015-16 confirmed resource limit. Current financial planning mandates 1% of resource limit for surplus target within financial plans. This surplus increase offers non recurrent opportunity for future planning as this is honoured and returned the year following achievement. This has increased from £15,698K due to a technical adjustment required by NHS England Wessex.
- 1.3 The following areas are reported within this paper:
- Appendix 1 - Dorset CCG Board Summary 2015-16
 - Appendix 2 - Dorset CCG Detailed Summary 2015-16
 - Appendix 3 - Dorset CCG Bridge Analysis 2015-16.
- 1.4 Non recurrent sources of funds as at 31st January 2016 total £23,796K. It should be noted that this includes £4,652K for Continuing Health Care national risk reserve for retrospective claims. There has also been considerable investment to underwrite acute transformation and support operational resilience and capacity planning for winter. With the provider sector in deficit it would be very challenging to fully withdrawal non recurrent funds within 2016-17 without identifying transformational change programmes.
- 1.5 The Dorset CCG aggregate provider deficit is forecast to increase from £12.3m (2014-15) to £26.8m by the close of 2015-16. NHS England has confirmed a Sustainability and Transformation fund for the acute sector for 2016-17 will be available. It should be noted that this fund requires the delivery of strict financial targets and Dorset needs to consider a system wide strategy in the achievement of these strict requirements. Detailed forecasts are shown below.

Annual Reported Surplus/(Deficit)	2014-15 Actual £m	2015-16 Plan £m	2015/16 Forecast £m
Dorset County Hospital	(0.7)	(3.5)	(6.0)
Dorset Healthcare University	(1.5)	(2.2)	(2.2)
Poole Hospital	(4.9)	(6.7)	(6.7)
Royal Bournemouth & Christchurch Hospitals	(5.2)	(12.9)	(11.9)
Total	(12.3)	(25.3)	(26.8)

- 1.6 Appendix 3 includes a bridge analysis highlighting the movement in forecast costs from one Governing Body reporting period to the next, November to January.
- 1.7 The trend arrow has been updated to reflect a RAG rating. The highest risks will be red trend and red overspend against budget. The overspend position is RAG rated against the GB approved budget. Acute budgets with a red trend and green spend position reflect the nature of a managed contract where activity trend is increasing but financial risk is limited due to managed contract agreements. Managed contracts limit financial risk in year but any over contract activity will result in a stepped change in cost for future years.
- 1.8 The CCG has now received official confirmation from NHS England that the Dorset CCG application for Primary Care delegation has been approved. Primary Care allocation has been confirmed as £103,258K for 2016-17. Finance have carried out a due diligence process as part of the financial planning. It should be noted that the full details of the DDRB (Doctors Dentists Remuneration Board) concerning 2016-17 uplifts are not available at the time of writing this paper. NHS England Wessex and CCG Finance teams will be modelling this impact.
- 1.9 NHS England is rolling out a mandated process to bring PMS Practices into line with GMS. This is referred to nationally as the PMS Premium. This Premium is based on £75.77 per weighted list size 2015-16. This will increase by 0.55p to £76.32 from the 1st April 2016. The 0.55p increase is funded from the PMS Premium. The impact of this change should not be underestimated as this affects 50 PMS practices within Dorset. The Head of Management Accounts, Financial Planning & Primary Care in partnership with Service Delivery drafted a methodology for PMS Premium reinvestment based on a basket of services allocated per weighted list size. The allocation using weighted list size mirrors the review of PMS baseline allocations. A paper detailing the proposal was presented to the JPCCC (Joint Primary Care Commissioning Committee) and supported.
- 1.10 NHS Dorset delivers QIPP (Quality Innovation Productivity & Prevention) through the budget award phase of its financial planning cycle by embedding QIPP in opening budgets. The CCG identified £13.7M below of QIPP as part of the financial planning process for 2015-16. This included £6.8M for CHC as 6.5% growth had been forecast by the CHC function but the budget was allocated based on the outturn position for 2014-15:

Schemes Include	£ M Target	£ M Achievement	£ M Variance
Continuing Health Care Adults	6.8	6.8	0
Medicines Management Prescribing	2.9	0.8	(2.1)
Effective Use of Medicines (NICE TA)	2.8	2.8	0
PTS Eligibility Criteria, cancellation & Abort Management	0.5	0.4	(0.1)
Controlled Environment for Finance (CEFF)	0.7	0.7	0
Total	13.7	11.5	(2.2)

2. Overall Financial Performance

- 2.1 The forecast financial out-turn for the year ending 31st March 2016 is attached (Appendix 1), with supporting commentary on significant variances below.
- 2.2 Dorset CCG benefits from a return of surplus from 2014-15 of £14,830K. The return of surplus from 2014-15 has been directly invested in delivery of the 2015-16 surplus of £17,698K. This has increased from £15,698K due to a technical adjustment required through NHS England Wessex for January.
- 2.3 NHS England from 1st June have imposed a control on all consultancy spend. Any consultancy spend above £50K inclusive of VAT has to be pre-approved by NHS England and the Treasury via a strict business case approvals process. This process is now fully embedded within Dorset CCG supported by detailed guidance and frequency asked questions via a dedicated management accounts online portal. All applications must be approved by the Chief Finance and Accountable Officer before submission to NHS England.
- 2.4 The CCG received via NHS England non recurrent operational resilience funds (ORCP) for 2014-15 for the development of transformational urgent care pilots and winter resilience plans. As part of the planning process for 2015-16 NHS England have made tranche 1 ORCP funds of £4,988K recurrent and the CCG has allocated the additional £3,322K ORCP tranche 2 match funding from growth non recurrently.
- 2.5 GP Referrals at 31st December 2015 are showing 4.2% increase compared to 2014-15 baseline, this is the underlying growth number of GP referrals. Paediatrics 9%, ophthalmology 12% and trauma and orthopaedics 16% are specific areas of high referrals. Salisbury and Yeovil are also seeing high levels of GP referral growth at 11.5% and 11.2%. RBHFT closed their Choose & Book in dermatology, neurology, max facial and ENT, which impacted on the availability of appointment slots in the wider health economy by redirecting referrals into other providers. This has since been resolved and referrals into RBH have now recovered.
- 2.6 Where the CCG has managed contracts in place, increases in referrals above planned levels are managed in year by providers but creates a stepped change risk for 2016-17.
- 2.7 As part of the financial planning for 2015-16 investment of £3.6M or 22% growth has been applied to Non NHS Contracts to fund the 2014-15 outturn. As at 31st January 2016, Non NHS Contracts are forecast to be £1.47M above this funded budget. Finance is working closely with Business Intelligence to highlight this risk. Mitigating actions are being taken through Service Delivery.
- 2.8 NHS England has awarded Dorset CCG the Quality Premium achievement following a successful challenge made by the Dorset CCG finance team. The £567K received in December (month 9) is being fully utilised in supporting the delivery of the 2015-16 control total. The Quality Premium represents a £3.8M opportunity and the CCG award was 15% of the opportunity available. Moving

forward the CCG needs to consider aligning incentives to support this opportunity accordingly with providers.

2.9 NHS Contracts (Information based on contract reports to 31/12/15)

Royal Bournemouth & Christchurch Hospital NHS FT	Trend	Year End Forecast
<p>The Trust position as at 31st December for Dorset CCG does represent an overspend against activity of £509K. Adjusted for local marginal rates the position is an overspend of £927K.</p> <p>Emergency admissions remain the main area of concern at £1.4M above planned levels and an increasing trend with October being the highest number of admissions this year.</p> <p>Areas of growth include Kidney and Urinary Tract infections as particularly high areas of growth.</p> <p>GP referral rates are 2% below 2014-15 levels. This relates to a period where this provider limited the Choose & Book offer. The CCG has worked closely with the provider to resolve this and a performance notice was issued.</p> <p>The £5K underspend reported relates to shortfall in achievement of the DQIP (Data Quality Improvement Plan) and withholding of payment.</p>		<p>(£5K)</p>

2.10

Poole Hospital NHS FT	Trend	Year End Forecast
<p>The Trust position as at 31st December for Dorset CCG does represent an underspend against activity of £293K. Adjusted for local marginal rates is an overspend of £444K. The most noticeable area of growth over the reporting period is Emergency Admissions.</p> <p>GP Referrals rates have decreased from October, though they still remain 15% above 2014-15 levels. At least 30% of this growth relates to the service movement of Neurology from DCHFT to PGHFT. The impact of RBHFT re-profiling their Choose & Book offer has also seen growth within ENT and Dermatology referrals.</p>		<p>£131K</p>

Neurology is a cost and volume tariff, currently this speciality is £131K over contracted levels.		
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2.11

Dorset County Hospital NHS FT	Trend	Year End Forecast
<p>The Trust position for Dorset CCG does represent an underspend against activity of £20K, before national and local rules are applied on marginal rates. Adjusted for local marginal rates the position is an overspend of £209K.</p> <p>GP Referrals are now 2% above the 2014-15 baseline.</p> <p>Performance returned to below plan in December, which has been a consistent trend for 2015-16. Elective musculoskeletal activity remains below plan due to staffing pressures through a combination of sickness, cover and annual leave requirements. Plans are in place to recover planned activity levels.</p> <p>Emergency admissions are of major concern and remain above contracted levels and are now £1m over plan. Main areas under pressure include Cardiac Surgery, Musculoskeletal System, Urinary Tract and Male Reproductive System and Digestive Systems. This £1M is being offset by below planned levels within Elective Orthopaedic surgery due to a temporary reduction in theatre capacity for refurbishment.</p> <p>However, overall the contract remains within the financial tolerances planned for 2015-16.</p>		<p>£0K</p>

2.12

South Western Ambulance NHS FT (SWAST)	Trend	Year End Forecast
<p>Red 1 (8 minute response time) target is 75% currently SWAST is reporting Red 1 performance for Dorset of 84.25%. Dorset is 3.76% below expected/purchased activity levels to the 31st December 2015.</p> <p>The Trust wide contract is 1.7% above plan and Red 1 performance is being delivered above target the 75% target at 75.22%.</p> <p>Handover delays remain a major challenge for the Dorset health system. Currently SWAST are reporting 2658 lost hours due to handover delays in Dorset.</p>		<p>£0K</p> <p>Block Contract for 2015/16</p>

2.13

Salisbury Hospital Foundation Trust	Trend	Year End Forecast
<p>The Trust position at 31st December 2015 for Dorset CCG represents an overspend against activity. The contract includes a risk share agreement and without this mitigation the full financial risk would be £1.6M.</p> <p>The majority of the overspend can be seen within non PBR, adult critical care, emergency and day cases. It should be noted forecast includes costs due to excess bed days mainly within the respiratory chapter.</p> <p>GP referrals at 31st December 2015 are running at 12% above 2014-15 baseline levels. The Business Intelligence Team has raised challenges valued at £445K.</p> <p>The Trust has raised strong concern over the level of over-performance in this contract, and wishes to discuss the risk share arrangements.</p>		£684K

2.14

University Hospitals Southampton NHS FT	Trend	Year End Forecast
<p>The Trust position at 31st December 2015 for Dorset CCG does represent an overspend against activity.</p> <p>The majority of this overspend is being driven through very high levels of excluded drugs currently being addressed with the provider and elective orthopaedic admissions.</p> <p>The CCG is working with NHS South CSU who lead on the contract reporting to fully understand the existing trends and current financial risks. This contract is at full cost and volume which does represent significant financial risk as experienced in previous years.</p>		£564K

Primary Care – Practice Prescribing

2.15

Practice Prescribing	Trend	Year End Forecast
<p>The forecast for GP Prescribing is based on the data included within the PMD (Prescribing Monitoring Document) report published by the PPD (Prescription Pricing Division).</p> <p>The 31st December 2015 reported position is an overspend of £3.247M based on the December prescribing forecast data provided via the Prescription Pricing Authority (PPA). This information became available after the January close down process and has not been reflected in the forecast as Appendix 1 & 2.</p> <p>This high forecast is a result of the increase in cost of generic drugs price due to a national supply shortage and the roll over effect from the October 2014 of category M price into the first 6 months of 2015-16. Flu vaccine spends and exceptionally higher cost per dispensing day in December has contributed to a much higher reported forecast.</p> <p>Discussion with finance colleagues from the Wessex region show that our neighbouring CCGs are experiencing the same trend as Dorset CCG with exceptional growth in the December reporting.</p> <p>A reduction in the category M drug tariff from January 16 will offer further potential savings. This will be closely monitored as prescribing now represents the biggest financial risk for the CCG in 2015-16 and into 2016-17. The Chief Pharmacist is carrying out a deep dive review and action plan to further understand the £3.247M overspend forecast for December.</p>		<p>£2,124K</p>

Continuing Care

2.16

Continuing Health Care (CHC) & FNC	Trend	Year End Forecast
<p>A joint CHC work programme has been established with the three Local Authorities to reduce CHC demand and care costs, this joint work programme supports the Better Care Fund investment made by the CCG, with the reciprocal commitment from the three Local Authorities to turn the trend of CHC expenditure.</p> <p>The CHC team has identified a QIPP saving by reviewing eligibility processes against best practice with a target figure of 2.5%. The focus on reassessment of CHC eligibility processes and assessment of new and existing packages has allowed the current position to be managed.</p> <p>In year capacity of nursing and residential care beds has reduced with a higher number of closures compared to new opening. For nursing 5 homes closed with loss of 131 beds, with 1 new home opening 37 beds.</p> <p>To enable timely hospital discharge it has therefore become necessary to place patients in homes at a higher weekly cost. This demonstrates the challenge with market management in limited bed availability. We are working closely with the CHC team, procurement and colleagues in Local Authorities to engage with providers to ensure there is capacity for CHC patients.</p> <p>The reduction in market availability directly increases financial costs and risks in this area. Market stimulation and development is a key strategy for the CCG moving forward in this area.</p> <p>It should be recognised that CHC has delivered flat cash position for 2015-16 through best practice conversion and case management. Bench marking continues to suggest that further savings are achievable but will be challenging to realise within the current provider market in Dorset.</p>		<p>£6K</p>

Community Health Services

2.17

Dorset Health Care Foundation Trust	Trend	Year End Forecast
<p>Dorset Healthcare University Hospitals Foundation Trust contract is forecast to overspend by £461K. This is a reduction of over £400K from December and follows a detailed review of persistent pain activity and correction to activity calculation processes.</p> <p>The £461K forecast overspend relates to the other cost and volume elements of the contract – dermatology £209K, rapid access pain £200K and endoscopy £162K offset by an underspend on pulmonary rehab of (£110K).</p>		£461K

Non NHS Contracts

2.18

Patient Transport Services (PTS)	Trend	Year End Forecast
<p>Finance and Contracting teams have been working very closely with the PTS provider to specifically understand about cancellation charges and Dorset registered patient's costs in line with responsible commissioner guidance.</p> <p>Due to the development of the Controlled Environment for Finance (CEFF) any non-Dorset registered patient charges are passed back to the provider, this process also passes back incomplete records where the charges cannot be validated by the CCG.</p> <p>This process is now embedded in the business as usual validation processes with the provider on a monthly basis. The forecast overspend is mainly due to the effect of 2014-15 settlements agreed with the provider.</p>		£55K

2.19

New Hall, BMI & Non NHS Contracts	Trend	Year End Forecast
<p>BMI is currently £972K over contract as at 31st December 2015, forecast to be £1,167K by 31st March 2016.</p> <p>The overspend is entirely within Day Case and Elective Orthopaedic admissions and can be seen at both the Winterbourne and Harbour sites, with the October data alone showing a circa 25% increase in referrals.</p> <p>Ramsey New Hall Spinal & Orthopaedics contract is £170K above planned levels in November the overspend is within the SAC Orthopaedic admissions.</p> <p>Overspends are due to a high increase of GP referrals in to these independent sector providers for Orthopaedic activity. However, it is important to note that there is a significant underperformance in Orthopaedic activity within our main acute trusts which is driving this over performance in the Non-NHS sector.</p> <p>Finance and Business Intelligence Teams have been working closely with Service Delivery on mitigating actions, these include improved communication within Primary Medical Services.</p>		<p>£1,466K</p>

2.20

Non Contract Activity (NCA)	Trend	Year End Forecast
<p>Non Contract Activity (NCA) continues to increase from 2014-15 levels. High cost patients, critical care costs and increases in activity are main causes of the overspend in NCA areas.</p> <p>Nuffield Health has higher 2015-16 activity levels than 2014-15 linked with patient choice & GP referrals for complex dermatology services.</p> <p>Oxford Radcliffe Hospitals NFT has had high critical care charges this year. Other NCA activity with providers is mainly linked to high cost patients and increase in day case procedures.</p>		£1,026K

Primary Care

2.21

Primary Care (Enhanced Contacts)	Trend	Year End Forecast
<p>Local contracts within general practice are seeing higher than planned levels of activity. It has been agreed to continue the prostate local contract which has resulted in an additional cost pressure above planned levels.</p> <p>Over 75 assurance panel have approved the payment of the final 10% balance from 2014-15. This was fully provided for in the 2014-15 position.</p>		£136K

Other Mental Health & Learning Disabilities

2.22

Section 117	Trend	Year End Forecast
<p>Anyone who has been detained in hospital under section 3, 37, 45A, 47 or 48 of the Mental Health Act 1983 is entitled to free aftercare under section 117 at any time after they leave hospital. The CCG has a legal duty to fund aftercare jointly with Local Authorities.</p> <p>The CCG has invested an additional £500K above the 2014-15 out turn within Section 117 for new cases. On average the CCG panel approves between 5 – 10 new cases per month and currently the number of new cases exceeds the number of cases where the package of case has ceased.</p> <p>The causes of the increasing number of cases and rising costs including named patient mental health packages will be subject to a deep dive review by the Specialist Services Commissioning Manager.</p> <p>Expected transfers from the Named Patient budget have not materialised as yet and this has again been reflected in the updated forecast.</p>		<p>£148K</p>

2.23

Named Patients	Trend	Year End Forecast
<p>Mental Health named patients is also forecast to overspend against the 2015-16 agreed budgets. Named patients relates to specialist case provided to patients where no facility exists in Dorset.</p> <p>The average cost is £90K per case but the CCG has experienced three high cost new cases forecast to have a part year impact of £286K in 2015-16.</p> <p>If a case is deemed section 117 then Local Authorities contribute towards the package of case. Named patient cases are 100% CCG</p>		<p>£1,343K</p>

<p>responsible commissioner funded.</p> <p>There have been several LD patients in 15-16 who have stepped down from secure (responsibility of NHS England) to locked accommodation (responsibility of the CCG), which has added pressure to the budget.</p>		
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Resource Limit

2.24

Resource Limit	Trend	Year End Forecast
<p>The resource limit as at 31st January 2016 is £1,027,829K which has been confirmed with NHS England. This represents an increase of £3,785K against the opening resource limit and includes the following:</p> <p>Tier 3 Neurology: £105K Tier 3 Specialist Wheelchairs: £404K High Cost Drugs: £9K Liaison Mental Health: £348K UEC Network: £60K Vanguard ACC: £1,479K CAMHS: £1,109K MoD – Out of Hours: £26K 2014-15 Quality Premium: £567K 2015-16 Non Rechargeable: (£608K) Primary Care Resilience: £286K</p>		<p>£0</p>

Other Financial Targets

- 2.25 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 31st January 2016 shows a 98.0% cumulative performance for NHS invoices and 98.5% for non-NHS invoices.

3. Conclusion

- 3.1 The CCG has reinvested its 2014-15 control surplus of £14,830K into the 2015-16 surplus requirement agreed with NHS England of £17,698K. This increases the surplus target from 2014-15 and represents 1.7% of the control total against the national requirement of 1%. This surplus increase offers non recurrent opportunity for future planning as this is honoured and returned the year following achievement. The control total has been uplifted from £15,698K to £17,698K in the January due to a technical adjustment request from NHE England Wessex.
- 3.2 The CCG surplus is a non-recurrent fund brought forward and reinvested in the control total delivery. An analysis of the underlying recurrent position as at the 31st January 2016 based on known and forecast cost pressures at this stage is moving away from a break even position. There will be a call on 2016-17 growth in correcting this trend.
- 3.3 The main risk areas for Dorset CCG have already been highlighted for 2015-16 as prescribing, CHC, Non NHS Contracts, Salisbury FT and critical care costs at Southampton Hospital, Section 117 and Named Patients.
- 3.4 Prescribing has now moved to a £3,247M overspend as at 31st December. This now represents the largest area of financial risk for the CCG. The Chief Pharmacist is developing an action plan to fully understand this position and identify mitigating actions.
- 3.5 The Quality Premium achievement has been successfully challenged and moved from an estimated Nil delivery via NHS England to a £567K achievement. This has now been received in December 2015 resource allocations and is fully utilised in supporting the delivery of the 2015-16 control total by offsetting in year overspends.
- 3.6 Dorset CCG has received notification of future funding growth for 2016-17 until 2020-21, using the revised funding formula published in January. This has resulted in a very challenging growth settlement for Dorset CCG. There will need to be a focus in cost reduction via QIPP (Quality Innovation Productivity & Prevention), Governing Body and Director performance management of budgets and creation of recurrent headroom. Without this commitment the CCG risks not meeting its financial obligations in years 2016-17 – 2019-20 and this challenge should not be underestimated. This process

9.3

will require immediate cash releasing savings to be approved from 1st April 2016.

- 3.7 QIPP plans need to be further developed and become an embedded process in everything that the CCG does.

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Date : 25th February 2016

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APPENDICES	
Appendix 1	CCG Board Summary 2015-16
Appendix 2	CCG Detailed Summary 2015-16
Appendix 3	CCG Bridge Analysis 2015-16