

**NHS DORSET CLINICAL COMMISSIONING GROUP**  
**GOVERNING BODY MEETING**  
**FINANCIAL PERFORMANCE AS AT 31<sup>st</sup> JANUARY 2017**

<b>Date of the meeting</b>	15/03/2017
<b>Author</b>	C Hickson, Assistant Director of Finance
<b>Sponsoring Board Member</b>	P Vater, Chief Finance Officer
<b>Purpose of Report</b>	To update the Governing Body on financial performance for the financial year 2016/17.
<b>Recommendation</b>	The Governing Body is asked to <b>note</b> the report.
<b>Stakeholder Engagement</b>	N/A
<b>Previous GB / Committee/s, Dates</b>	The Governing Body approved the following recommendation - 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**

<b>This report links to the following Strategic Principles</b>	<ul style="list-style-type: none"> <li>• Services designed around people</li> <li>• Preventing ill health and reducing inequalities</li> <li>• Sustainable healthcare services</li> <li>• Care closer to home</li> </ul>		
	<b>Yes</b> [e.g. ✓]	<b>Any action required?</b>	
		<b>Yes</b> Detail in report	<b>No</b>
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	✓		✓
<b>I confirm that I have considered the implications of this report on each of the matters above, as indicated</b>	✓		

Initials : CH

## 1. Introduction

- 1.1 The purpose of this report is to update the Directors on the financial performance for the financial year ending 31<sup>st</sup> March 2017.
- 1.2 The planned surplus target challenge for 2016/17 has 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 The following areas are reported within this paper:
- Appendix 1 - Dorset CCG Board Summary 2016/17
  - Appendix 2 - Dorset CCG Detailed Summary 2016/17
  - Appendix 3 - Dorset CCG Primary Care Analysis 2016/17.
- 1.4 The final 2015/16 lead provider position was a £23.1M **deficit**.

Annual Reported Surplus/(Deficit)	2014-15 Actual £m	2015/16 Plan £m	2015/16 Actual £m
<b>Dorset County Hospital</b>	(0.7)	(3.5)	(5.5)
<b>Dorset Healthcare University</b>	(1.5)	(2.2)	(1.9)
<b>Poole Hospital</b>	(4.9)	(6.7)	(4.1)
<b>Royal Bournemouth &amp; Christchurch Hospitals</b>	(5.2)	(12.9)	(11.6)
<b>Total</b>	<b>(12.3)</b>	<b>(25.3)</b>	<b>(23.1)</b>

- 1.5 Providers in Dorset have signed up to the STF (Sustainability & Transformation Fund). The STF requires strict delivery of agreed financial control milestones which are assessed on a quarterly basis. The table below details the planned movement from a £63.6M deficit to a £8M deficit by 31<sup>st</sup> March 2017. It should be noted that CIP (Cost Improvement Plans) have been RAG rated for risk of delivery. Quarter 2, assurance has been provided that financial milestones are on plan for all providers listed, releasing the Q2 STF fund payments.
- 1.6 Dorset County Hospital NHS Foundation Trust (DCH) did not meet all the performance trajectories worth 30% of the STF payment in Q3. DCH has raised an appeal with NHS England on aspects of access performance and exceptional demand around ophthalmology services.

Provider	Plan pre STP* funding and pre CIP**	STP funding (+)	Financial gap post STP funding but pre CIP	In year CIP green schemes (+)	In year CIP amber schemes (+)	In year CIP red schemes (+)	Plan outturn 2016/17
DCH FT	-13.2	4.7	-8.5	3.4	0.9	2.4	-1.8
DHU FT	-14.0	1.9	-12.1	7.4	0.2	0.5	-4.0
PH FT	-17.9	7.9	-10.0	6.1	1.9	1.2	-0.8
RBCH FT	-18.5	7.6	-10.9	6.7	1.5	1.3	-1.4
<b>Dorset Providers</b>	<b>-63.6</b>	<b>22.1</b>	<b>-41.5</b>	<b>23.6</b>	<b>4.5</b>	<b>5.4</b>	<b>-8.0</b>

\* STF - Sustainability and Transformation Funding issued through NHS Improvement

\*\*CIP – Cost Improvement Plans

- 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 GP Referrals at the 31<sup>st</sup> December 2016 are 3.9% above 2015/16 levels with highest levels of growth as follows:

Specialty	%
Urology	12%
Paediatrics	8%
Respiratory	8%
Rheumatology	7%
Dermatology	7%
Ophthalmology	4%
Trauma & Orthopaedics	3%

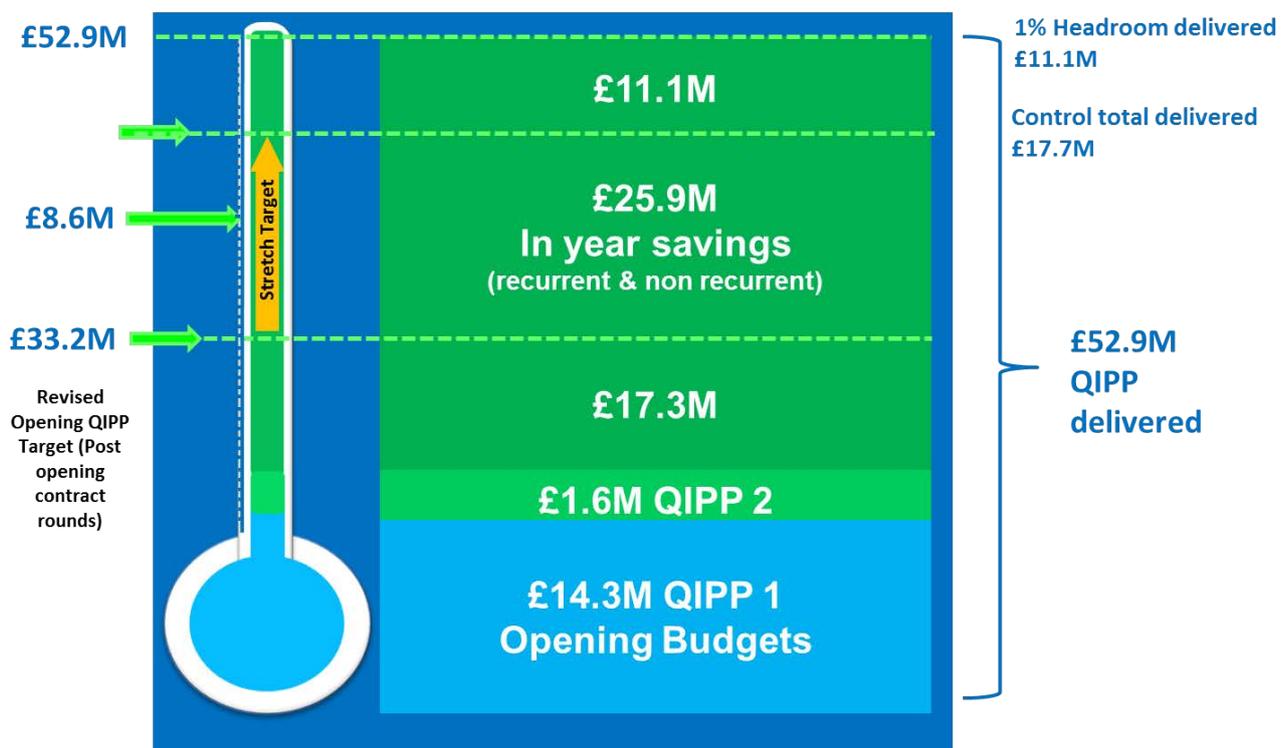
- 1.9 This Financial Sustainability Task Force has been targeting variation and supporting general practice through the Right Care approach. The CCG has mobilised a Primary Care profiling group which uses variation in referrals to support general practice. As part of this process the CCG Business Intelligence team has launched refreshed interactive referral management reports for all practices.
- 1.10 The CCG is forecast to achieve its QIPP target for 2016/17, through a combination of cost avoidance and cash releasing savings.

# 9.3

As part of the 2016/17 planning guidance NHS England have requested the CCG create an additional 1% or £11.1M uncommitted headroom in addition to the agreed £17.7M control total, a grand total of £28.8M. It is unclear at this stage how the additional 1% or £11.1M will be treated within the year end accounts process. The CCG is awaiting confirmation from NHS England.

1.11 As at the 31<sup>st</sup> January 2017 the forecast position has been updated that the full £28.8M will be delivered by Dorset CCG.

1.12 QIPP performance can be shown as follows:



- QIPP 1 £14.3M delivered as part of the budget setting process - avoidance
- QIPP 2 £1.6M delivered as part of the opening budget approval - avoidance
- QIPP 3 £37M in year delivery of both recurrent and non-recurrent savings and release of planned contingency funds. Part cash releasing, part cost avoidance and non-recurrent funding towards Funded Nursing Care.

1.13 The Financial Sustainability Task Force has been driving forward the **Right Care** variation agenda and the ability to create a more reactive response. It should be noted this includes both qualitative and quantitative schemes which include but not limited to focus on:

- **Right Care** Indicators & opportunities
- Focus on variation
- Referral management & referral benchmarking

- Reduce level of low priority procedures
- Prescribing efficiencies through reduction of waste and variation
- Prescribing of low value items
- Non NHS Contracts & repatriation to NHS Providers
- New procurements of services to extract additional cost savings
- Benchmarking community services
- Estates rationalisation
- Reducing length of stay
- Continuing healthcare market development
- Expansion of CEFF (Controlled Environment for Finance)

## 2. Overall Financial Performance

- 2.1 The forecast financial out-turn for the year ending 31<sup>st</sup> March 2017 is attached (Appendix 1), with supporting commentary on significant variances below.
- 2.2 Dorset CCG benefits from a return of surplus from 2016/17 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's 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. This 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 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. This is above current opening contract level and the forecast has been updated accordingly for both Royal Bournemouth Hospitals FT and Dorset County Hospitals FT to show full risk share.
- 2.4 The CCG has now 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 has been modified to support general practice in understanding this variation.

- 2.5 The CCG has 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 if appropriate through best practice.
- 2.6 The Quality Premium (QP) represents a £3.8M opportunity. The CCG received £567K for 2014/15 performance. The 2016/17 achievement has been confirmed with NHS England as £846K based on 2015/16 performance measures. The missed opportunity for the Dorset health economy for 2015/16 is £3M. This does follow a successful challenge on the initial 2015/16 performance for QP achievement as the CCG delivered local targets for both Ambulance and Dementia as initial estimates suggested £400K achievement.
- 2.7 **NHS Contracts (Information based on contract reports to 31/12/16)**

Royal Bournemouth & Christchurch Hospital NHS FT	Trend	Year End Forecast
<p>The position as at 31st December for Dorset CCG represents a forecast over spend against activity. It should be noted that this activity is capped at £3.5M for 2016/17 and represents continued risk for 2017/18.</p> <p><b>GP referral rates are 8% above 2015/16 levels.</b> This growth % is partly due to the impact of RBH closing choose &amp; book slots in Q1 2015/16.</p> <p>Higher than expected activity within Elective Admissions and Day Case. Emergency admissions are currently forecast above expected levels. Digestive system is the largest area of over spend and specific growth can be seen in gastrointestinal procedures.</p>		<b>£3,500K</b>

2.8

Poole Hospital NHS FT	Trend	Year End Forecast
<p>The Trust position as at 31st December for Dorset CCG does represent a forecast over spend against activity of £1.6M. It should be noted that this is a managed contract for 2016/17 but increased growth represents significant system and financial risk. The £224K forecast cost pressure relates to Neurology which is a cost and volume element of the contract for 2016/17.</p> <p><b>GP Referrals at December are at 3% growth</b> 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>		<b>£231K</b>

# 9.3

<p>Emergency Admissions are the largest driver of this demand being £1.6M above expected levels. Mainly seen in Respiratory, pneumonia, COPD and acute lower respiratory infections. Elective performance is £237K above expected levels predominantly in Digestive and Musculoskeletal.</p>		
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2.9

Dorset County Hospital NHS FT	Trend	Year End Forecast
<p>The Trust position for Dorset CCG as at 31<sup>st</sup> December 2016 does suggest an under spend against activity. It should be recognised at this stage the financial forecast has remained at the maximum cap level due to the uncertainty in the activity forecast. There has been considerable reduction in elective activity throughout the July to 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 is of concern and forecast to be £111K above expected levels. The trusts conversion of A&amp;E attendances to emergency admissions remains higher than national and local trust rates.</p>		<p>£1,100K</p>

2.10

Yeovil	Trend	Year End Forecast
<p>The Trust position as at 31<sup>st</sup> December 2016 for Dorset CCG represents a forecast over spend against expected activity of £122K, it should be noted this is a managed contract.</p> <p>GP Referrals are 11% above the 2015/16 baseline predominately within ENT, general surgery and gastroenterology. Currently reliable referral data is still not available due to the provider upgrading their PAS (Patient Administration System). Business Intelligence is currently reviewing the information supplied by the provider.</p> <p>Emergency admissions are of concern and forecast to be £311K above expected levels.</p> <p>The CCG has 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 Forecast
<p>The Trust position at 31st December 2016 for Dorset CCG represents a forecast over spend against expected activity of £441K. The £240K relates to position with local risk share rates applied.</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 via specialist commissioning NHS England. Day rates for delay are charged at £450 per day.</p> <p>GP referrals at 31st December 2016 are running at 8% below 2015/16 baseline levels.</p>		<b>£240K</b>

## 2.12

University Hospitals Southampton NHS FT	Trend	Year End Forecast
<p>The Trust position at 31st December 2016 for Dorset CCG represents an over spend of £640K against expected levels. It should be noted this is a full cost and volume contract via South &amp; West Commissioning Support Unit.</p> <p>The most significant over spend can be seen in elective of £128K mainly seen in cardiac, hepatobiliary and pancreatic activity.</p>		<b>£640K</b>

## 2.13 Prescribing

Practice Prescribing	Trend	Year End Forecast
<p>The current forecast outturn position issued by the NHS Business Services Authority (NHS BSA) is based on the October 2016 prescribing data and continues to indicate that at this stage there could be 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 that we saw over the course of 2015/16. This is artificially suppressing the NHS BSA reported forecast position.</p> <p>Internal forecasting supports a £737K underspend should the current year to date trend continue.</p> <p>Due to having 7 months data available and the continued risk to this budget should the national tariff prices continue to rise at the levels seen in 2015/16 we are currently forecasting a breakeven position pending updates of future in year tariff adjustments.</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, 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><b>(£737K)</b></p>

## Continuing Care

2.14

Continuing Health Care (CHC) & FNC	Trend	Year End Forecast
<p>CHC &amp; FNC reported a net under spend of £4.4M as at 31<sup>st</sup> December 2016 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 continuing reversing 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 bench marking 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 and 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 forecast is a £8.7M under spend. This is offset by a nationally mandated uplift for FNC of 40% which alongside activity pressure is a forecast cost pressure of £4.4M.</p>		<p><b>(£4,372K)</b></p>

## Community Health Services

2.15

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>It has been proposed Persistent Pain and Rapid Access Pain are brought into the managed contract for 2016/17. Current activity levels are below expected and any contract adjustment needs to carefully consider the level of the adjustment. Finance and Business Intelligence have been working closely with Service Delivery and the expectation is that savings will be realised against the current financial envelope.</p> <p>The over spend relates to forecast cost per case activity for Dermatology and Endoscopy and offset by an underspending against pulmonary rehabilitation.</p> <p>The net position has been adjusted to a forecast out outturn of breakeven following detailed contract discussions to mitigate both under and over spending service lines within the contract.</p> <p>There are now three smaller, separate contracts, as the Weymouth Urgent Care Centre has been added £1,125K in 2016/17 and full year impact £1,498K along with the Acquired Brain Injury and Med TOP which value £217k and £78k respectively.</p>		<b>£0K</b>

2.16

New Hall, BMI & Non NHS Contracts	Trend	Year End Forecast
<p><b>BMI is currently £1,388K over contract as at 31<sup>st</sup> December 2016, forecast to be £1,851K by 31<sup>st</sup> March 2017.</b></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 data alone showing a circa 17.1% increase in referrals compared to 2015/16, this has slowed slightly.</p> <p>Ramsey New Hall Spinal &amp; Orthopaedics contract is currently forecast to be £235K below planned levels. Referrals for this provider are 16% higher than 2015/16 levels, this trend has slowed.</p> <p>Nuffield is forecast to be £395K over expected levels mainly within orthopaedics.</p> <p>Overspends are due to a high increase of GP referrals in to these independent sector providers for Orthopaedic activity.</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 DCH, to assess how the NHS can compete better with the independent sector for elective and day case work.</p>		<p><b>£2,482K</b></p>

2.17

Non Contract Activity (NCA)	Trend	Year End Forecast
<p>These costs relate to Dorset registered patients who obtain health services outside of the Dorset Health System. London contracts are managed via a lead commissioner arrangement within London by Optum.</p> <p>The CCG is currently forecasting an under spend against the expected budget for December. It should be noted that this forecast is volatile due to the data provided via Optum.</p> <p>The CCG finance team are currently reviewing the Optum process for identification of responsible commissioner. Repatriation of Dorset registered patients does provide an opportunity to increase revenue within the Dorset system.</p>		<b>£8K</b>

### Primary Care

2.18

Primary Care Delegation	Trend	Year End Forecast
<p>The Primary Care delegation budget as at 31<sup>st</sup> December 2016 is £99,254K for 2016/17. 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 teams have worked closely with NHS England finance teams concerning the funding of local contracts and the impact of the PMS premium calculation. This has been 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 clawed back circa £300K of 2015/16 scheme underspends.</p> <p>The Clinical Commissioning Local Improvement Plan has been revised for 2016/17. The revised CCLIP comes into effect from 1<sup>st</sup> December 2016</p>		<b>(£426K)</b>

<p>and 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<sup>st</sup> 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 current underspend of £426K relates to the decision to freeze uncommitted budgets by the Directors. The £426K has been directly reinvested in support of the 2016/17 control total requirement.</p> <p>The primary care budget continues to remain in balance and has been adjusted to reflect all national uplifts for 2016/17 and adjustments following the PMS Premium review.</p>		
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2.19

Better Care Fund	Trend	Year End Forecast
<p>The Better Care Fund includes a risk share arrangement with Local Authority partners concerning Continuing Health Care and financial performance. The CCG also contribute towards financial over performance for the Integrated Community Equipment Store (ICES). The current forecast overspend of £1,120K 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 £235K</p>		<p><b>£1,120K</b></p>

2.20

Resource Limit	Trend	Year End Forecast
<p>The allocation as at 31<sup>st</sup> December 2016 is £1,159,593K which has been confirmed with NHS England.</p> <p>The following IAT (Inter Account Transfers) have been actioned within December.</p> <p>Primary Care Transformation Fund £500K  DHUFT Activity Sixpenny £276K  CYP Transformation £174K  Q3 Vanguard £305K  Local Evaluation Funding £25K  Capital Grants £245K</p>		<b>£0</b>

### 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<sup>st</sup> December 2016 shows a 100% cumulative performance for NHS invoices and 98.4% for non-NHS invoices.

## 3. Conclusion

- 3.1 The CCG surplus is a non-recurrent fund brought forward and reinvested in the control total delivery. The underlying recurrent position based on known and forecast cost pressures is an underlying deficit.
- 3.2 The 2017/19 contracting process has adopted a system wide approach in the spirit of the Dorset Health system and the Sustainability and Transformation plans. Providers and commissioners have moved towards system affordability and financial envelopes and a move away from tariffs. This is outlined in the Dorset health system compromise agreement.
- 3.3 As at the 31<sup>st</sup> January 2017 the CCG is forecast to deliver a surplus of £28.8M this is split £17.7M control total and £11.1M treasury 1% headroom requirement. The CCG has delivered an excellent financial result, set in the context of receiving a minimum growth allocation for 2016/17.
- 3.4 Continuing healthcare has continued to underspend, although this has been offset partially by the national imposed uplift for FNC of £3.3M. There is a continued focus on market development with Dorset County Council to test price per care package, when compared to other areas.

## 9.3

- 3.5 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, who have achieved Q1 to Q3 STF payments. DCH have missed performance metrics Referral to Treatment access times, but we successful in their appeals. The CCG is continuing to work closely with DCH to improve performance across waiting times.
- 3.6 The 2017/18 funding position is incredibly challenging following both a funding formula revision for Dorset in 2016/17. This has been compounded recently by HRG4+ allocation adjustment. This leaves a net movement in resources of only £2.6M projected for 2017/18. **The CCG is currently challenging the £8,546K HRG4+ deduction adjustment through NHS England.**

Details of the £2.6m 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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**Date : 24<sup>th</sup> February 2017**  
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<b>APPENDICES</b>	
<b>Appendix 1</b>	<b>CCG Board Summary 2016/17</b>
<b>Appendix 2</b>	<b>CCG Detailed Summary 2016/17</b>
<b>Appendix 3</b>	<b>Primary Care Analysis 2016/17</b>