

NHS DORSET CLINICAL COMMISSIONING GROUP

GOVERNING BODY

FINANCIAL PERFORMANCE AS AT 31 MARCH 2016 & UPDATE ON 2016-17
OPENING BUDGET

Date of the meeting	18/05/2016
Author	C Hickson, Head of Management Accounting, Financial Planning & Primary Care 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 st March 2016 & update on the latest opening budget position for 2016-17 following the contracting process.
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 and update on the latest opening budget for 2016-17 following the contracting process.
- 1.2 The surplus target increased from £14,832K in 2014-15 to £17,698K in 2015-16 or 1.7% of the 2015-16 confirmed resource limit. Financial planning mandated 1% of resource limit for surplus target within financial plans. This increased from £15,698K in year to the £17,698K due to a technical adjustment requested 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 Refreshed Budget 2016-17
- 1.4 The Dorset CCG aggregate lead provider deficit has increased from £12.3m (2014-15) to £23.9m by 31st March 2016.

Annual Reported Surplus/(Deficit)	2014-15 Actual £m	2015-16 Plan £m	2015/16 Actual £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)	(4.1)
Royal Bournemouth & Christchurch Hospitals	(5.2)	(12.9)	(11.6)
Total	(12.3)	(25.3)	(23.9)

- 1.5 NHS England confirmed a Sustainability and Transformation fund for the acute sector for 2016-17 is 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.

STF Opportunity 2016-17	STF £m
Dorset County Hospital	4.7
Poole Hospital	7.9
Royal Bournemouth & Christchurch Hospitals	7.6
Total	20.2

- 1.6 NHS Dorset delivered QIPP (Quality Innovation Productivity & Prevention) through the budget award phase of its financial planning cycle by embedding QIPP in opening budgets for 2015-16. 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. Practice Prescribing overspent by £3.4M as at 31st March 2016 and was the largest financial overspend managed by the CCG in year.

Schemes Include	£ M Target	£ M Achievement	£ M Variance
Continuing Health Care Adults	6.8	7.9	1.1
Medicines Management Prescribing	2.9	(0.5)	(3.4)
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	11.3	(2.4)

2. Overall Financial Performance 2015-16

- 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 has delivered the increased control total of £17,698K as agreed with NHS England for the financial year ending 31st March 2016. This has been achieved by the close monitoring and management of the financial position and appropriate decision making throughout the year.
- 2.3 The main cost pressures experienced within 2015-16 related to:
- Acute Referrals 4.27%
 - General Practice Prescribing £3.4M
 - Non NHS Contracts £2.1M
 - Non Contract Activity £2M
- 2.4 It should be noted that Continuing Health Care spend for 2015-16 has been held at the same of level as 2014-15. This achievement should not be underestimated and has allowed the CCG the financial flexibility to manage its control total delivery for 2015-16. This has been through a process of benchmarking, conversion rates, cost per case and best practice.
- 2.5 GP Referrals at 31st March 2016 showed 4.27% growth across the system. This is real terms growth and as such has crystallised within the opening contract positions for 2016-17. Growth at a main provider level as follows for the financial year 2015-16.

STF Opportunity 2016-17	Referral Growth %
Royal Bournemouth & Christchurch Hospital FT	(1.00%)
Poole General Hospital FT	13.47%
Dorset County Hospital FT	(1.20%)
Salisbury Hospital FT	11.95%
Yeovil Hospital FT	8.69%
BMI Healthcare	8.82%
Ramsay Healthcare	26.48%

- 2.6 It should be noted that Royal Bournemouth and Christchurch NHS Foundation Trust (RBH) closed its choose and book for some specialties such as ENT, for a period in 2015-16. This resulted in a switch of referrals from RBH and into Poole General Hospital NHS Foundation Trust (PGH). This can be seen in the outturn referral rates in 2015-16 with RBH showing 1% reduction and PGH as 13% increase. **It should be noted that the 2016-17 contracting process required the purchase of an in year backlog of activity from RBH which has been reflected in the contract settlement and subsequent risk share.**

3. Update on 2016-17 Financial Position

- 3.1 The opening budget position presented to the Governing Body on the 16th March has moved considerably following the contracting round and the publication of the national tariff rates for 2016-17 which included uplifts ranging from 1.1% to 1.8% and activity requirements. The impact of this national tariff uplift and referral rates of 4.27% seen in 2015-16 has moved the CCG to a financially challenged position.
- 3.2 It should be recognised that NHSE published a revised funding formula for health economies in December 2015. Dorset CCG has received a very challenging growth settlement for the next five years. This is due to the revision of the distance from target formula where Dorset has now moved to the target allocation receiving the minimum growth allocations for these years.

Year	2016/17	2017/18	2018/19	2019/20	2020/21
Growth %	3%	2%	2%	2.1%	3.7%

- 3.3 The growth in referrals within 2015-16 has been compounded by the uplift in the national tariff. This has resulted in the headroom of 1.5% or £16.9M being fully deployed to mitigate this risk.
- 3.4 The CCG will need to deliver immediate in year recurrent savings of £11M. This will be the recreation of the 1% headroom required by NHS England on both core and Primary Medical Allocations. A Financial Recovery Task Force has been formed chaired by the Accountable Officer and vice chair Chief Finance Officer. This will allow fast track decision making to support the

9.3

delivery of this saving target. Invitation to this group has been through a formal request in writing by the Accountable Officer.

- 3.5 The following tables detail the uplifts in contracts from 2015-16 budgets and spend compared to the latest 2016-17 refreshed opening positions. These tables highlight the movement required to match outturn for 2015-16 actual spend and fund 2016-17 growth in line with existing trends.

Acute Spend	Outturn	Confirmed	Variance	Variance
	2015-16	Budget		
	£'000	2016-17	£'000	%
The Royal Bournemouth and Christchurch Hospitals NHS FT	167,740	172,100	4,360	2.5%
Poole Hospital NHS Foundation Trust	147,003	149,275	2,272	1.5%
Dorset County Hospital NHS Foundation Trust	108,326	110,413	2,087	1.9%
South Western Ambulance Service NHS Trust	24,289	24,809	520	2.1%
Salisbury NHS Foundation Trust	19,605	20,136	531	2.6%
Yeovil District Hospital NHS Foundation Trust	13,908	14,650	742	5.1%
Southampton University Hospitals NHS Trust	7,464	7,461	- 3	(0.0%)
Activity Reserve	-	1,300	1,300	
Total Larger NHS Providers	488,336	500,144	11,809	2.3%
Non NHS Contracts	16,131	16,745	613	3.7%
Total	504,467	516,889	12,422	2.3%

Mental Health & Community Services	Budget	Confirmed	Variance	Variance
	2015-16	Budget		
	£'000	2016-17	£'000	%
Dorset Healthcare University NHS FT	193,170*	196,389*	3,219	1.7%
*Better Care Fund DHUFT Community Nursing £27,039				

Primary Care Services	Budget	Confirmed	Variance	Variance
	2015-16	Budget		
	£'000	2016-17	£'000	%
Primary Care Prescribing	115,884	124,897	9,013	7.2%
CCG Local Primary Care Services (Local Contracts)	16,261	17,796	1,535	8.6%
Out of Hours (Urgent Care Services) Including 111 service	10,988	11,100	112	1.0%
Total Primary Care Expenditure	143,133	153,793	10,660	6.9%

- 3.6 NHS England issued guidance requesting that commissioners do not contract on a managed block contract basis for 2016-17. The CCG has developed risk based contracts which provides in year financial risk mitigation. It should be noted if demand exceeds contracted tolerances the contract risk is £7.7M.

4. Conclusion

- 4.1 The CCG has delivered its financial control total of £17,698K as agreed with NHS England for the financial year ending 31st March 2016. The CCG has a strong track record of financial management and control total delivery to date.
- 4.2 The CCG is entering into a financially challenged period due to the reduction in growth funding, uplifts in national tariffs and current growth trend in referrals. An indication of this challenge is that 1% growth is equal to £11M.
- 4.3 Due to the £3.4M overspend within prescribing in 2015-16 the CCG has had to invest £9M in the creation of a balanced prescribing budget. This will be a key area for control and focus in 2016-17 and beyond as the CCG will not have the flexibility to manage overspends against the 2016-17 without the delivery of immediate in year recurrent savings being identified.
- 4.4 As detailed in 3.6 the impact of contractual currencies is estimated at £7.7M for 2016-17 if current trend in growth continues. The current financial plan provides an activity reserve of £1.3M. The full risk is outside of the current financial position and will directly impact the delivery of the CCG control total for 2016-17 as all contingency and headroom has been deployed through the contracting round in 2016-17.
- 4.5 The CCG has now fully released its headroom and contingency funds of £16.9M to fund the final contract uplifts for 2016-17. The current opening position is £441K over committed.
- 4.6 The Quality Premium represents 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 2016-17 and contracting processes aligned accordingly to support the delivery.
- 4.7 The financial recovery and immediate saving requirement of £11M can only be delivered through the robust performance management and control of 2016-17 budgets. This can only be delivered with a targeted focus on immediate recurrent savings and that this process is owned across the whole CCG. This awareness needs to become part of day to day activities in everything we all do if the CCG is to maintain its financial track record.
- 4.8 The Financial Recovery Task Force chaired by the Accountable Officer and Chief Finance Office will be a key driver in this financial challenge and will need the full support of the entire organisation. The CCG workforce will need to prioritise and mobilise to support the delivery of the financial recovery. The entire workforce will need to take appropriate ownership in the solution which will need to focus and not excluded to:

9.3

- Right Care Indicators & opportunities
- Referral management & referral benchmarking
- Reduce level of low priority procedures
- Prescribing efficiencies through reduction of waste and variation*
- 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
- Previous Unassessed Periods of Care PUPOC

Author's name and Title : Chris Hickson, Head of Management Accounts and
Financial Planning & Primary Care Finance
Date : 29th April 2016
Telephone Number : 01305 368931

APPENDICES	
Appendix 1	CCG Board Summary 2015-16
Appendix 2	CCG Detailed Summary 2015-16
Appendix 3	CCG Refreshed Summary 2016-17