9.3

NHS DORSET CLINICAL COMMISSIONING GROUP

GOVERNING BODY

FINANCIAL PERFORMANCE AS AT 30 SEPTEMBER 2015

Date of the meeting	18/11/2015
Author	C Hickson - Head of Management Accounting & Financial Planning
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 **approve** the recommendation set out under paragraph 3.7.
Stakeholder Engagement	N/A
Previous GB / Committee/s, Dates	N/A

Monitoring and Assurance Summary

This report links to the following Strategic Principles	• 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 Five Year Forward View identified a further £8 billion made available to the NHS over the next five years to invest in out of hospital care models. NHS England used a formula based on distance from target to allocate these funds to Clinical Commissioning Groups. Dorset CCG has benefited from this allocation methodology as it has historically operated within its resource allocation which is lower than its target allocation. The surplus target has increased marginally from £14,832K in 2014-15 to £15,698K in 2015-16 or 1.5% of the 2015-16 resource limit. Current financial planning mandates 1% of resource limit for surplus target within financial plans.

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 The financial reporting functionality has been further developed in 2015-16 to include recurrent and non recurrent sources of funds. The non recurrent funds identified within Appendix 1 & 2 are either non recurrent resource allocations through NHS England or contractually agreed non recurrent contract payments included within 2015-16 contracts.

1.5 Non recurrent sources of funds as at 30th September total £23,051K. 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.

1.6 Appendix 3 includes a bridge analysis highlighting the movement in forecast costs from one reporting period to the next.

1.7 The trend arrow has been updated to reflect a RAG rating. The highest risks will be red trend and red over spend against budget. The over spend 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 NHS England has drafted a proposed review of the current treatment of acute fines. The revised approach does not allow for acute fines to be reinvested in recovery plans in year. Instead the proposed approach is to lever all fines and treat this as income to the CCG which then flows to bottom line position. The

proposal works on the assumption that the leverage of the fine will not impact on the acute position. The reality is that the majority of CCGs contractually reinvest fines in recovery plans and the levering of fines risks impacting directly on acute positions. Dorset CCG has raised this concern with NHS England Wessex who has advised this is a draft proposal at this stage.

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. 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 51 PMS practices within Dorset.

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. The finance team highlighted through bench marking using Grafton Group data on CHC the opportunity to deliver this QIPP. The effective use of medicines and medicines management prescribing has delivered £5.1M. This has been through continued scrutiny of prescribing and the contract process for NICE TA with providers.

Schemes Include	£ M Target	£ M Achievement	£ M Variance
Continuing Health Care Adults	6.8	5.6	(1.2)
Medicines Management Prescribing	2.9	2.3	(0.6)
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	11.8	(1.9)

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 £15,698K.

2.3 The online Finance Assurance module with Fraud, Bribery & Corruption now provides significant assurance to the Governing Body and the Audit & Quality committee in these areas. NHS England has recognised this as best practice and the Dorset CCG finance team has been working with NHS England on a region wide roll out.

2.4 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.

2.5 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 match funding from growth non recurrently.

2.6 GP Referrals at 31st August 2015 are showing 3.7% increase compared to a 2014-15 baseline, this is the underlying growth number of GP referrals. Paediatrics 10%, ophthalmology 8% and trauma and orthopaedics 18% are specific areas of high referrals. Salisbury and Yeovil are also seeing high levels of GP referral growth at 10% and 16%. 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.

2.7 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.

2.8 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 30th September, Non NHS Contracts are forecast to be £1.25M above this funded budget. Finance has highlighted this area as very high risk and are working to identify further mitigating actions.

2.9 An early review of Quality Premium achievement undertaken by NHS England Wessex would indicate a very low level of compliance against the national and local indicators. It should be noted this is a draft local review using local data whereas the Quality Premium is calculated on national data sets. A review is being undertaken of the local indicators as they are not aligning with the national indicators in some areas.

2.10 **NHS Contracts**

Royal Bournemouth & Christchurch Hospital NHS FT	Trend	Year End Forecast
The Trust position as at 31st August for Dorset CCG does represent an under spend against activity of £293K, before national and local rules are applied on marginal rates. Adjusted for local marginal rates the position is an under		

spend of £111K. Emergency admissions remain the main area of concern at £421K above planned levels and an increasing trend. This trend is being driven by admission growth urology and vascular conditions. GP referral rates are 3% 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.		**£0K**

2.11

Poole Hospital NHS FT	Trend	Year End Forecast
The Trust position as at 31st August for Dorset CCG does represent an over spend against activity at local and marginal rates of £349K. Emergency Admissions are continuing to increase above plan but it should be noted that trend is reducing. GP Referrals rates have jumped by 17% compared to 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. However, overall the contract remains within the financial tolerances planned for 2015-16.		**£0K**

2.12

Dorset County Hospital NHS FT	Trend	Year End Forecast
The Trust position for Dorset CCG does represent an under spend against activity of £563K, before national and local rules are applied on marginal rates. Adjusted for local marginal rates the position is an over spend of £7K. GP Referrals are now 1.4% above the 2014-15 baseline. Performance remained below plan in August which has been a consistent trend for 2015-16. Elective musculoskeletal activity was below plan in July due to staffing pressures through a combination of sickness, cover and annual leave requirements. Plans are in place to recover planned activity levels. However, overall the contract remains within the financial		**£0K**

tolerances planned for 2015-16.		

2.13

South Western Ambulance NHS FT (SWAST)	Trend	Year End Forecast
Red 1 (8 minute response time) target is 75% currently SWAST is reporting Red 1 performance for Dorset of 84.8%. Dorset is 3.83% below expected activity levels to the 30th September 2015. The Trust wide contract is 2.18% above plan and Red 1 performance is being delivered above target at 76.02%.	⇧	**£0K** **Block Contract for 2015/16**

2.14

Salisbury Hospital Foundation Trust	Trend	Year End Forecast
The Trust position at 31st August 2015 for Dorset CCG represents an over spend against activity of £269K. The contract includes a risk share agreement and without this mitigation the full financial risk would be £971K. The majority of the over spend can be seen within non PBR, adult critical care and emergency. It should be noted forecast includes costs due to excess bed days mainly within the respiratory chapter. GP referrals at 31st August are running at 10% above 2014-15 baseline levels.	⇩	**£269K**

2.15

University Hospitals Southampton NHS FT	Trend	Year End Forecast
The Trust position at 31st August 2015 for Dorset CCG does represent an over spend against activity of £355K. The majority of this over spend is being driven through emergency admissions multiple trauma, musculoskeletal and cardiac. 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 expected in previous years.	⇨	**£355K**

Primary Care – Practice Prescribing

2.16

Practice Prescribing	Trend	Year End Forecast
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). The latest prescribing forecast provided via the Prescription Pricing Authority (PPA) is based on July data and is currently reflecting a £1,022K over spend against the CCG agreed budget. There is an expected increase in the 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. Discussion with finance colleagues from the Wessex region show that our neighbouring CCGs are experiencing the same trend as Dorset CCG which is flat prescribing but increased drugs cost. The Chief Pharmacist believes that this position may improve due to the volatile nature of the early months PMD forecast coupled with the roll over effect from the October 2014 category M price increase ceasing for the second 6 months of 2015-16.		**£1,022K**

Continuing Care

2.17

Continuing Health Care (CHC)	Trend	Year End Forecast
The forecast outturn is just above 1% of the flat cash settlement and this is a real success story, in essence a QIPP saving of 5.5%. 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.		

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. It should be noted that since 1 April 2015, a total of 89 nursing beds have been lost in Poole due to 3 nursing home closures. At the current time there are also a number of safeguarding concerns relating to other nursing homes in Poole. The consequence is that as of the beginning of June there is only one nursing home in Poole who will accept CHC /FNC patients at Framework rate. In early October we were made aware of block at a home where we block purchase 10 OPMH beds and it means that this capacity is not now currently available. 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 continue to work with providers to ensure there is capacity for CHC patients but the market place is extremely challenging. The CCG will need to consider how it grows the provider market in Dorset to create competition and flexibility. The reduction in market availability directly increases financial risks, this is a key strategy to deliver locally and regionally.		**£1,235K**

Community Health Services

2.18

Dorset Health Care Foundation Trust	Trend	Year End Forecast
The Dorset Healthcare University Hospitals Foundation Trust contract has been signed at a value of £187,107K however £28,422k of this is reported separately against the Better Care Fund. 2% of the contract (£3,837K) is contracted on a cost per case basis so the potential financial adjustment for over or under planned levels is limited. Cost per case services are pain, endoscopy, dermatology and pulmonary rehabilitation. The forecast as at 30th September has been updated to reflect the continued pressures experienced within the cost per case elements of the contract.	⇩	**£488K**

Dorset Healthcare University Foundation Hospitals Trust has been issued with an Exception Report as the Trust has not achieved the milestones set out in the remedial action plan to improve poor performance in the Memory Assessment Service. This has resulted in £100K being withheld from the contract. Remedial actions have now been made and the service access improved. Plans have been finalised to invest £650K into a 24/7 Psychiatric Liaison Service at each of the three acute hospitals which will improve the waiting time for assessment in ED. This is part of a £2M investment in mental health with Dorset Healthcare as part of the national requirement for Parity of Esteem for Mental Health services.		

Non NHS Contracts

2.19

Patient Transport Services (PTS)	Trend	Year End Forecast
Finance and Contracting teams have been working very closely with the PTS provider to specifically understand abort cancellation charges and Dorset registered patient's costs in line with responsible commissioner guidance. 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. This process is now embedded in the business as usual validation processes with the provider on a monthly basis.	⇧	**£0**

2.20

New Hall, BMI & Spire Healthcare Non NHS Contracts	Trend	Year End Forecast
BMI is currently £304K over contract as at 31st August 2015, updated forecast to be £736K by 31st March 2016. The over spend is entirely within day case elective admissions and can be seen at both Winterbourne and Harbour sites. Ramsey New Hall spinal & orthopaedics contract is £220K above planned levels in August. These contracts are full cost and volume and all activity will be charged at full rates. The CCG has explored marginal rates with these providers at a local level but these providers' negotiate contracts at a national level. This has resulted in very little flexibility locality to manage unit cost. The mitigating actions highlighted in 2.8 are starting to have an impact across the Dorset health system. The BMI forecast has fallen from £1,020K in June to £736K August which is a £284K saving in the subsequent 2 months.		**£1,250K**

Primary Care

2.21

Primary Care (Enhanced Contacts)	Trend	Year End Forecast
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.		**£191K**

Other Mental Health & Learning Disabilities

2.22

Section 117	Trend	Year End Forecast
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. 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. The forecast as at the 30th September has improved due to the claw back of overpayment for an expensive package of care. 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. Expected transfers from the Named Patient budget have not materialised as yet and this has again been reflected in the updated forecast.	⇧	**£177k**

2.23

Named Patients	Trend	Year End Forecast
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. 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. If a case is deemed section 117 then Local Authorities contribute towards the package of case. Named patient cases are 100% CCG responsible commissioner funded.	⇩	**£704k**

Resource Limit

2.24

Resource Limit	Trend	Year End Forecast
The resource limit as at 31st September 2015 is £1,024,044K which has been confirmed with NHS England. This represents an increase of £2,455K against the opening resource limit and includes the following: NHSE Responsibility for OH within Primary Care: £25K Primary Care GP IM&T Allocation: £2,009K Waiting List Validation: £28K CAMHS Eating Disorders: £443K		**£0**

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 30th October 2015 shows a 99.9% cumulative performance for NHS invoices and 94.6% 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 £15,698K. This increases the surplus target from 2014-15 and represents 1.5% of the control total against the national requirement of 1%.

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 30th September 2015 based on known and forecast cost pressures at this stage is a break even underlying position.

3.3 The main risk areas for Dorset CCG have already been highlighted for 2015-16 as Continuing Health Care, Non NHS Contracts, and critical care costs at Southampton Hospital, Section 117 and Named Patients.

3.4 The CCG has a strategic ambition to further develop integrated community services, however additional resourcing of this will be dependent on the budgets holding for the rest of the financial year.

3.5 The treatment of acute fines by NHS England is of serious concern to both provider and commissioner. Historically it has been common practice across the health community to reinvest these fines through in year recovery

programmes. As this draft proposal has been discussed in year providers have not planned for this change in policy and so risks being a direct impact on provider deficits.

3.6 NHS England Wessex has carried out a local assessment of the 2014-15 Quality Premium achievement. This local interpretation has shown Dorset CCG as failing all 6 measures and 2 out of 4 of the NHS Constitutional Rights and Pledges. This has resulted in a forecast of nil achievement, when formerly this was anticipated at £1M. A review is being undertaken around the local assumptions used against the national performance metrics.

3.7 Through the movement in the Quality Premium expected achievement and treatment of acute fines the CCG needs to consider further mitigating options to deliver the 2015-16 control target. **The recommendation is that all under spends are protected including devolved locally commissioning budgets**. This allows locality teams to focus in the support of both the Dorset Vanguard and the impact of the PMS Premium Review which is considerable.

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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**