

**NHS DORSET CLINICAL COMMISSIONING GROUP**  
**GOVERNING BODY**  
**FINANCIAL PERFORMANCE AS AT 30 NOVEMBER 2015**

<b>Date of the meeting</b>	20/01/2016
<b>Author</b>	C Hickson, Head of Management Accounting, Financial Planning & Primary Care
<b>Sponsoring Board Member</b>	P Vater, Chief Finance Officer
<b>Purpose of Report</b>	Update the Governing Body on financial performance for the financial year 2015-16.
<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>	None

**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 Governing Body on the financial performance for the financial year ending 31<sup>st</sup> March 2016.
- 1.2 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 Non recurrent sources of funds as at 30<sup>th</sup> November total £23,824K. 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 Appendix 3 includes a bridge analysis highlighting the movement in forecast costs from one Governing Body reporting period to the next, September to November.
- 1.6 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.
- 1.7 The CCG has now received official confirmation from NHS England that the Dorset CCG application for Primary Care delegation has been approved. Primary Care budgets are in the region of £98.7M and fully committed based on actual costs incurred.
- 1.8 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 1<sup>st</sup> 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 Deliver has drafted a methodology for PMS Premium reinvestment based on

## 9.3

a basket of services allocated per weighted list size. The allocation using weighted list size mirrors the review of PMS baseline allocations.

- 1.9 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 31<sup>st</sup> 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 NHS England from 1<sup>st</sup> 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.

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- 2.5 GP Referrals at 31st October 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.
- 2.6 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 30<sup>th</sup> November, Non NHS Contracts are forecast to be £1.26M above this funded budget. Finance is working closely with Business Intelligence to highlight this risk. Mitigating actions are being taken through Service Delivery including locality presentations to general practice.
- 2.8 NHS England has updated their Quality Premium achievement assumptions and the latest forecast for Dorset CCG is £567K. This follows a successful challenge made by the Dorset CCG finance team. The £567K is being fully utilised in supporting the delivery of the 2015-16 control total.
- 2.9 **NHS Contracts (Information based on contract reports to 31/10/15).**

Royal Bournemouth & Christchurch Hospital NHS FT	Trend	Year End Forecast
<p>The Trust position as at 31st October for Dorset CCG does represent an over spend against activity of £461K. Adjusted for local marginal rates the position is an over spend of £609K.</p> <p>Emergency admissions remain the main area of concern at £1.1M 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 4% below 2014-15 levels. This relates to a period where this provider limited the Choose &amp; 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><b>£5K</b></p>

2.10

Poole Hospital NHS FT	Trend	Year End Forecast
<p>The Trust position as at 31st October for Dorset CCG does represent an over spend against activity at local and marginal rates of £86K. The most noticeable area of growth over the reporting period is Emergency Admissions.</p> <p>GP Referrals rates have jumped by 15% 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 &amp; Book offer has also seen growth within ENT and Dermatology referrals.</p> <p>However, overall the contract remains within the financial tolerances planned for 2015-16.</p>		<p>£0K</p>

2.11

Dorset County Hospital NHS FT	Trend	Year End Forecast
<p>The Trust position for Dorset CCG does represent an under spend against activity of £524K, before national and local rules are applied on marginal rates. Adjusted for local marginal rates the position is an under spend of £147K.</p> <p>GP Referrals are now 0.9% above the 2014-15 baseline.</p> <p>Performance remained below plan in October 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>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 84.74%. Dorset is 3% below expected activity levels to the 30<sup>th</sup> November 2015.</p>		<p>£0K</p> <p>Block</p>



## 9.3

<p>The Trust wide contract is 2.2% above plan and Red 1 performance is being delivered above target at 75.54%.</p>		<p><b>Contract for 2015/16</b></p>
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2.13

Salisbury Hospital Foundation Trust	Trend	Year End Forecast
<p>The Trust position at 31st October 2015 for Dorset CCG represents an over spend against activity of £584K. The contract includes a risk share agreement and without this mitigation the full financial risk would be £1.5M.</p> <p>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.</p> <p>GP referrals at 31st October are running at 8% above 2014-15 baseline levels. The Business Intelligence Team has raised challenges valued at £199K.</p> <p>The Trust has raised strong concern over the level of over-performance in this contract, and wishes to discuss the risk share operating in 2015/16.</p>		<p><b>£584K</b></p>

2.14

University Hospitals Southampton NHS FT	Trend	Year End Forecast
<p>The Trust position at 31st October 2015 for Dorset CCG does represent an over spend against activity of £390K.</p> <p>The majority of this over spend is being driven through emergency admissions multiple trauma, musculoskeletal and cardiac.</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 expected in previous years.</p>		<p><b>£390K</b></p>

## 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 reported position of a £859K overspend is based on the September prescribing forecast data provided via the Prescription Pricing Authority (PPA), <b>however since this report the October data has become available and is now reflecting a £1,869K over spend against the CCG agreed budget.</b></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.</p> <p>Discussion with finance colleagues from the Wessex region show that our neighbouring CCGs are experiencing the same trend as Dorset CCG which is relatively flat prescribing but increased drugs cost.</p> <p>The Chief Pharmacist suggests that this position could improve due to the volatile nature of the early months PMD forecast coupled with the recently announced reduction in the category M drug tariff from January 16. This will be closely monitored and represents significant financial risk.</p>		<b>£859K</b>

## Continuing Care

2.16

Continuing Health Care (CHC)	Trend	Year End Forecast
<p>The forecast outturn is just above 1% of the flat cash and is in essence a QIPP saving of 5.5%.</p> <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.</p>		<b>£1,257K</b>
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## Community Health Services

2.17

Dorset Health Care Foundation Trust	Trend	Year End Forecast
<p>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.</p> <p>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.</p> <p>The forecast as at 30<sup>th</sup> September has been updated to reflect the continued pressures experienced within the cost per case elements of the contract.</p> <p>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</p>		<b>£732K</b>

<p>service access improved.</p> <p>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 Emergency Departments.</p> <p>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.</p>		
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### 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.</p>		<p>£0</p>

2.19

New Hall, BMI & Spire Healthcare Non NHS Contracts	Trend	Year End Forecast
<p>BMI is currently £671K over contract as at 30th November 2015, forecast to be £1,007K by 31<sup>st</sup> March 2016. 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 &amp; Orthopaedics contract is £224K above planned levels in October. The over spend is within the SAC Orthopaedic admissions.</p> <p>The overs spends 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</p>		<p>£886K</p>

<p>significant underperformance in Orthopaedic activity within our main acute trusts which is driving this over performance in the Non-NHS sector.</p> <p>The reporting position £886K is the October and will move to £1.2M above planned levels. Finance and Business Intelligence Teams have been working closely with Service Delivery on mitigating actions.</p>		
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### Primary Care

2.20

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>		<b>£139K</b>

### Other Mental Health & Learning Disabilities

2.21

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 care has ceased. The forecast as at the 30<sup>th</sup> September has improved due to the claw back of overpayment for an expensive package of care.</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>		<b>£177k</b>

## 9.3

<p>Expected transfers from the Named Patient budget have not materialised as yet and this has again been reflected in the updated forecast.</p>		
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### 2.22

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 responsible commissioner funded.</p>		<p><b>£704k</b></p>

### Resource Limit

### 2.23

Resource Limit	Trend	Year End Forecast														
<p>The resource limit as at 30<sup>th</sup> November 2015 is £1,026,205K which has been confirmed with NHS England. This represents an increase of £2,161K against the opening resource limit and includes the following:</p> <table border="0" data-bbox="284 1615 1082 1877"> <tr> <td>Tier 3 Neurology:</td> <td style="text-align: right;">£105K</td> </tr> <tr> <td>Tier 3 Specialist Wheelchairs:</td> <td style="text-align: right;">£404K</td> </tr> <tr> <td>High Cost Drugs:</td> <td style="text-align: right;">£9K</td> </tr> <tr> <td>Liaison Mental Health:</td> <td style="text-align: right;">£174K</td> </tr> <tr> <td>UEC Network:</td> <td style="text-align: right;">£60K</td> </tr> <tr> <td>Vanguards ACC:</td> <td style="text-align: right;">£300K</td> </tr> <tr> <td>CAMHS:</td> <td style="text-align: right;">£1,109K</td> </tr> </table>	Tier 3 Neurology:	£105K	Tier 3 Specialist Wheelchairs:	£404K	High Cost Drugs:	£9K	Liaison Mental Health:	£174K	UEC Network:	£60K	Vanguards ACC:	£300K	CAMHS:	£1,109K		<p><b>£0</b></p>
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## Other Financial Targets

- 2.24 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 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 30<sup>th</sup> November 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 CHC, Non NHS Contracts, Salisbury FT and critical care costs at Southampton Hospital, Section 117 and Named Patients.
- 3.4 The Quality Premium achievement has been challenged and moved from an estimated nil delivery via NHS England to a £567K achievement.
- 3.5 A revised funding formula is expected to be published in early January. The funding formula distance from target calculation has been refreshed nationally, and will influence the level of funding growth allocations received into Dorset over the period of the comprehensive spending review through until 2020/21.

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**Date :** 22<sup>nd</sup> December 2015

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<b>APPENDICES</b>	
<b>Appendix 1</b>	<b>CCG Board Summary 2015-16</b>
<b>Appendix 2</b>	<b>CCG Detailed Summary 2015-16</b>
<b>Appendix 3</b>	<b>CCG Bridge Analysis 2015-16</b>