9.3

NHS DORSET CLINICAL COMMISSIONING GROUP

GOVERNING BODY

FINANCIAL PERFORMANCE AS AT 31st May 2016

Date of the meeting	20/07/2016
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 2016-17.
Recommendation	The Governing Body is asked to **approve** the holding of uncommitted budgets. Exceptional spend will be at the discretion of the Accountable Officer and/or Chief Finance Officer in accordance with Scheme of Delegation.
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 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. The increased surplus challenge above the 1% only offers non recurrent opportunity and is subject to very strict assurance controls via NHS England.

1.3 The CCG became level 3 full delegation for Primary Care from the 1st April 2016. From a financial perspective this has resulted in the CCG being devolved a Primary Care allocation of £103,258K for 2016-17.

1.4 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.

1.5 Non recurrent sources of funds as at 31st May 2016 total £21,222K. It should be noted that this includes £1,861K 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. **The CCG needs to consider the sustainability of non-recurrent funding into 2017-18 at this level and advise providers accordingly to allow providers time to identify mitigating actions.**

1.6 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. 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
Dorset County Hospital	(0.7)	(3.5)	(5.5)
Dorset Healthcare University	(1.5)	(2.2)	(1.9)
Poole Hospital	(4.9)	(6.7)	(4.1)
Royal Bournemouth & Christchurch Hospitals	(5.2)	(12.9)	(11.6)
Total	**(12.3)**	**(25.3)**	**(23.1)**

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 Referral at the 31st May 2016 is 9.8% above 2015-16 levels**. This level of demand is unsustainable both in the providers ability to service such levels of demand and the financial implications to the Dorset health economy. This level of growth represents a circa £25M financial risk for 2017-18. The Business Intelligence function within the CCG will be supporting Primary Care in providing a further level of analysis to better understand this unprecedented level of growth.

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 £37M (below) of QIPP as part of the financial planning process for 2016-17. NHS England planning requirements requires the CCG to create 1% of recurrent headroom and 0.5% contingency. This is not currently available without the delivery of £15.7M of unidentified QIPP.

Schemes Include	£ M Target	£ M Achievement	£ M Variance
Acute Transitional Funding & DQIPS	6.5	6.5	0.0
Generics and PPA identified Prescribing savings	4.3	4.3	0.0
Continuing Health Care Services	3.4	3.4	0.0
Removal of Investment in PAS, RiO & DQIP	2.8	2.8	0.0
Hold activity to offered contracts	2.2	2.2	0.0
Non NHS Contractual Activity	0.8	0.8	0.0
Running Costs CIP reduction	0.5	0.5	0.0
Hold Community Cost per Contract	0.5	0.5	0.0
NCA Budgets	0.4	0.4	0.0
Unidentified QIPP	15.7		(15.7)
Total	**37.0**	**21.3**	**(15.7)**

1.10 The delivery of a further £15.7M of QIPP savings should not be underestimated to support the delivery of 1.5% recurrent headroom. The Financial Sustainability Task Force has been formed and the terms of reference for the group are simply to create £20M of recurrent savings. A paper has been drafted following the first meeting chaired by the Accountable Officer and presented to Directors which recommends a CCG wide focus on variation and reprioritisation process. Suggested schemes include and not limited to:

- 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*
- 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

2. Overall Financial Performance

2.1 The forecast financial out-turn for the year ending 31st 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. It should be noted that this is a non-recurrent source of funds.

2.3 NHS England from 1st June 2015 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 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. 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 £4,650K. 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.

2.5 Referrals at 31st March 2016 showed a 4.25% increase compared to 2014-15 baseline. There is a high level of variation at a locality level which needs to be fully understood to allow mitigating actions to be identified. The CCG needs to adopt a reactive response to understanding and focusing on variation to ensure value for money. With GP Referrals as at 31st May 2016 at 9.8% immediate action needs to be taken to support Primary Care in fully understanding the drivers in the unprecedented demand.

Locality Referral Rates	2014-15 to 2015-16 growth	2015-16 to 2016-17 growth
Christchurch	1%	15%
Central Bournemouth	6%	7%
East Bournemouth	4%	13%
Bournemouth North	5%	11%
Poole Bay	4%	14%
Poole Central	8%	16%
Poole North	13%	20%
East Dorset	6%	15%
Purbeck	(3%)	14%
Mid Dorset	6%	6%
North Dorset	6%	(0%)
Dorset West	2%	16%
Weymouth & Portland	(1%)	1%
Dorset CCG GP Referral Average	**4.25%**	**9.80%**

2.6 The Quality Premium represents a £3.8M opportunity. The CCG received £567K for 2014-15 performance. It is expected this will fall to £400K based on 2015-16 performance measures. The missed opportunity for the Dorset health economy for 2015-16 is estimated as £3.4M. The CCG will be challenging the 2015-16 performance for QP achievement as the CCG delivered local targets for both Ambulance and Dementia. QP focuses on provider wide delivery of these targets, this does represent an opportunity for challenge.

2.7 **NHS Contracts (Information based on contract reports to 31/05/16)**

Royal Bournemouth & Christchurch Hospital NHS FT	Trend	Year End Forecast
The position as at 31st May for Dorset CCG represents a forecast over spends against activity of £4.1M. It should be noted that this activity is capped at £3.5M for 2016-17 and represents continued major risk for 2017-18. GP referral rates are **17% above** 2015-16 levels. This growth % is partly due to the impact of RBH closings choose & book slots in Q1 2015-16. Higher than expected activity within Elective Admissions of £1.1M and Day Care £579K. This over spend can mainly be seen in Orthopaedics non trauma procedures, particularly major hip and knee procedures. Emergency admissions are currently forecast to be £2.1M above expected levels. Respiratory system is the largest contributor to this growth primarily by pneumonia related admissions.		**£1,500K**

2.8

Poole Hospital NHS FT	Trend	Year End Forecast
The Trust position as at 31st May for Dorset CCG does represent a forecast over spend against activity of £3.2M. It should be noted that this is a managed contract for 2016-17 but his growth represents significant system and financial risk. GP Referrals are **9% above** the 2015-16 baseline. Emergency Admissions are the largest driver of this demand being £3.2M above expected levels. Mainly activity seen in Respiratory, pneumonia, COPD and acute lower respiratory infections. Inpatient day case is also above expected levels by £358K predominantly in digestive system. This level of over performance is unsustainable both for the Trust and wider health system and represents major financial risk.		**£0K**

2.9

Dorset County Hospital NHS FT	Trend	Year End Forecast
The Trust position for Dorset CCG represents a forecast over spend against expected activity of £2.7M, before national and local rules are applied on marginal rates. Adjusted for local marginal rates the position is capped at £1,150K GP Referrals are **3% above** the 2015-16 baseline. Emergency admissions are of concern and forecast to be £1.3M above expected levels. There has been an increase in elective activity associated with the closure of the Cath lab and subsequent catch-up. Urinary Track, Male Reproductive System, Digestive Systems, Immunology, Infectious Diseases and Multiple Trauma remain under pressure. The conversation rates of A&E attendance into emergency admissions remains higher than national and local rates.		**£1,150K**

2.10

Yeovil	Trend	Year End Forecast
The Trust position for Dorset CCG represents a forecast under spend against expected activity of £284K, it should be noted this is a managed contract. GP Referrals are **12% above** the 2015-16 baseline predominately within ENT, general surgery and gastroenterology. Emergency admissions are of concern and forecast to be £479K above expected levels. The CCG has invested 5.3% growth within this contract based on the 2015-16 budget.		**£0K**

2.11

Salisbury Hospital Foundation Trust	Trend	Year End Forecast
The Trust position at 31st May 2016 for Dorset CCG represents an under spend against expected activity. Pressure can be seen within elective admissions £77K and diagnostics £12K. It should be noted that excess bed day's activity has reduced by 55%. GP referrals at 31st May 2016 are running at **2% below** 2015-16 baseline levels.		**£0K**

2.12

University Hospitals Southampton NHS FT	Trend	Year End Forecast
The Trust position at 31st May 2016 for Dorset CCG is currently at planned levels. The most significant over spend can be seen in maternity services £20K which is due to higher than expected excess bed days for normal deliveries.		**£0K**

Primary Care – Practice Prescribing

2.13

Practice Prescribing	Trend	Year End Forecast
The opening budget for 2016-17 has been revised by £1.1m following the final 2015-16 outturn position being confirmed at the end of May 2016. This position has been reviewed and ratified by the CCGs Chief Pharmacist and the Medicines Optimisation Group who recognise this as a realistic budget based on 2015-16 outturn, horizon scanning and expected 2016-17 growth. There is risk to this budget should the national tariff prices continue to rise at the levels seen in 2015-16. The CCG finance team is working closely with the Chief Pharmacist and the Medicines Optimisation Group to highlight, identify and realise areas of savings. At this stage due to the lack of available information a break even position has been forecast. The first forecast outturn position issued by the NHS Business Services Authority will be with the June 2016 prescribing data which is will be available mid to late August 2016.		**£0K**

Continuing Care

2.14

Continuing Health Care (CHC) & FNC	Trend	Year End Forecast
CHC reported an under spend of £500K as at 31st May 2016 which reflects the risk 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. 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. The CHC team has identified QIPP cost avoidance savings in 2016-17 of £3.4M. 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 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 in Dorset. Finance is working closely with the CHC team, procurement and colleagues in Local Authorities to engage with providers to ensure there is appropriate capacity for CHC patients.	⇧	**(£500K)**

Community Health Services

2.15

Dorset Health Care Foundation Trust	Trend	Year End Forecast
Dorset Healthcare University Hospitals Foundation Trust contract is forecast to overspend by £359K. This over spend relates to cost per case activity above expected levels. The largest area is Rapid Access Pain which is forecast to overspend by £179K based on current trends. Additional cost per case pressures include Dermatology £140K, Endoscopy £138K. This is offset with Pulmonary Rehabilitation being below expected levels.		**£359K**

2.16

New Hall, BMI & Non NHS Contracts	Trend	Year End Forecast
BMI is currently £271K over contract as at 31st May 2016, forecast to be £1,626K by 31st March 2017. 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 **27% increase in activity.** Ramsey New Hall Spinal & Orthopaedics contract is currently below planned levels within the SAC (standard acute contract) Orthopaedic admissions. Overspends are due to a high increase of GP referrals in to these independent sector providers for Orthopaedic activity. Finance and Business Intelligence Teams have been working closely with Service Delivery on mitigating actions, these include improved communication within Primary Medical Services.		**£536K**

2.17

Non Contract Activity (NCA)	Trend	Year End Forecast
Non Contract Activity (NCA) continues to increase from 2015-16 levels. High cost patients, critical care costs and increases in activity are main causes of the over spend in NCA areas. Initial reporting from Optum who manage London providers indicates an over spend of £86K. At the time of writing this paper the provider activity data has been released from South CSU. This shows below expected activity for University Hospital Bristol, North Bristol and Portsmouth this has resulted in a revised forecast of £19K		**£384K**

Primary Care

2.18

Primary Care Delegation	Trend	Year End Forecast
The Primary Care delegation budget is £103,258K for 2016-17. Appendix 3 provides a detailed analysis of Primary Care both delegated and core. Core being CCG core primary care funded services. Dorset CCG finance teams are working closely with NHS England finance teams concerning the funding of local contracts and the impact of the PMS premium calculation. The CCG has started a process of review concerning 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 Clinical Commissioning Local Improvement Plan has been revised for 2016-17. The revised CCLIP comes into effect from 1st October 2016 and valued at £2.3M for 2016-17 On the 1st April 2016 the Primary Care support contract provision has moved from Shared Business Solution to Capita. Finance teams have		**£0K**

been linked with Capita to facilitate a smooth transition. Due to a national technical refresh in July payment runs will be limited. The payment run for GMS practices will be brought forward by two days. CCG Finance teams have released a local communication concerning this change. Assurance has been sought this is a one off IM&T upgrade. The PMS and Drugs payment runs will not be affected by this national process. At this early stage in the financial year the forecast outturn is a break even position for Primary Care Services on both delegated and core services.		

Other Mental Health & Learning Disabilities

2.19

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 £586K above the 2015-16 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 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. As part of this process Finance is co-ordinating a benchmarking exercise comparing commissioners identified in the NHS England Right Care analysis.	⇩	**£32K**

2.20

Named Patients	Trend	Year End Forecast
Named patients relates to specialist placement 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 which are predominantly driving this overspend. 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. Non-recurrent funding of £198K is available within 2016-17 to support the discharges from out of area placements. This will be dependent on key milestones being achieved.		**£498K**

Resource Limit

2.21

Resource Limit	Trend	Year End Forecast
The resource limit as at 31st May 2016 is £1,154,000K which has been confirmed with NHS England. There have been no adjustments via NHSE at this stage and the resource limit is consistent with the 2016-17 opening budget position.		**£0**

Other Financial Targets

2.22 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 May 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 2015-16 control surplus of £17,698K into the 2016-17 surplus requirement agreed with NHS England of £17,698K. This is simply a return of non-recurrent funds. Any drawdown on this non-recurrent surplus would need to be agreed with NHS England and would result in high level of interest, scrutiny and strict controls imposed by NHS England.

3.2 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. The unprecedented levels of GP referrals currently at 9.8% represent £25M additional risk against acute commissioning. Growth for 2017-18 has been confirmed as £20M, this represents a significant shortfall.

3.3 The main risk areas for Dorset CCG have already been highlighted for 2016-17 as GP referrals, acute over contracted activity, Non NHS Contracts and Named Patients.

3.4 Business Intelligence will be undertaking an intelligence gathering exercise to understand the unprecedented growth in GP referrals seen in 2016-17. This will be a time limited review that will see Business Intelligence working alongside Service Delivery and Primary Care teams to support the membership in understanding both the drivers of growth and identification of mitigating actions and support.

3.5 The Quality Premium achievement 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 £37M of QIPP as part of the financial planning process for 2016-17. NHS England planning requirements requires the CCG to create 1% of recurrent headroom and 0.5% contingency. This is not currently available without the delivery of £15.7M of unidentified QIPP.

3.6 The Financial Sustainability Task Force is a forum to share best practice and innovation across the CCG to create a culture that focuses on variation. This focus on variation gives the opportunity to delivery both cost savings and quality improvements. The Right Care analysis provided by NHS England with a specific focus on Cancer and Muscular Skeletal now feeds into the group.

3.7 Funding growth for 2016-17 until 2020-21, using the revised funding formula published in January 2016 has resulted in a very challenging growth settlement for Dorset CCG. There will need to be a continued focus in cost reduction via QIPP (Quality Innovation Productivity & Prevention). 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 will require immediate cash releasing savings to be approved from 1st April 2016.

3.8 The delivery of the 2016-17 control total of £17,698K is a major risk. The whole CCG will need to support mitigating reactive actions to deliver the control total agreed with NSH England.

4. Recommendation

4.1 The Governing Body is asked to approve the holding of uncommitted budgets. Exceptional spend will be at the discretion of the Accountable Officer and/or Chief Finance Officer in accordance with the Scheme of Delegation. This action supports the delivery of the 2016-17 surplus target of £17,698K.

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Date : **5th July 2016**
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9.3

APPENDICES	
Appendix 1	**CCG Board Summary 2015-16**
Appendix 2	**CCG Detailed Summary 2015-16**
Appendix 3	**Primary Care Analysis 2015-16**