

NHS North Cumbria CCG Governing Body	Agenda Item 16
7 February 2018	

Finance Report

Purpose of the Report								
The purpose of the attached report is to provide the Governing Body with an update of financial issues facing the CCG. The most up-to-date report attached covers to the end of December.								
Outcome Required:	Approve		Ratify		For Discussion		For Information	X
Assurance Framework Reference:								
Financial Sustainability								

Recommendation(s):
The Governing Body is asked to note the contents of the report.

Executive Summary:
<p>December Finance Report</p> <p>Key Issues:</p> <p>The report provides an update on the CCG’s financial position and shows at December the CCG remains on plan for the year to date position and is forecasting achievement of the planned £3.1 million deficit for the year. The position was reviewed in detail by the Finance & Performance Committee on 17 January.</p> <p>It is also noteworthy that updated operational and financial planning guidance for 2018/19 is awaited. Although two-year plans and contracts were agreed for 2017/18 and 2018/19 there are a number of key issues national issues that will need to be incorporated in refreshed plans, for example:</p> <ul style="list-style-type: none"> • The additional funding announced in the budget • Potential impact of “lifting the pay freeze” • The on-going impact of the current “winter” situation

National guidance is anticipated in early February to enable organisations and local systems to complete and agree plans for the beginning of the financial year.

Key Risks:

Action continues to quantify and manage financial risk across North Cumbria at both organisational and system level. As part of this process the CCG has secured transitional funding of £3.3 million from NHSE to address the needs flagged in the 2017/18 system-wide financial plans to support the implementation of initiatives identified in the Pre Consultation Business Case for “Healthcare for the Future”.

Implications/Actions for Public and Patient Engagement:

There are no key issues to report.

Financial Impact on the CCG:

This is reflected in the attached report.

Strategic Objective(s) supported by this paper:	Please select (X)
Support quality improvement within existing services including General Practice	X
Commission a range of health services appropriate to Cumbria’s Needs	X
Develop our system leadership role and our effectiveness as a partner	X
Improve our organisation and support our staff to excel	

Impact assessment: (Including Health, Equality, Diversity and Human Rights)	No
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Conflicts of Interest Describe any possible Conflicts of interest associated with this paper, and how they will be managed	None identified
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North Cumbria
Clinical Commissioning Group

North Cumbria CCG

Finance Report

December 2017

Introduction

The purpose of this paper is to present the year-to-date financial position of the CCG as at December 2017. Essentially the position is in line with plan but this reflects the profiling of the cost improvement programme towards the latter part of the year. However, the CCG has now received some of the funding that was anticipated at the beginning of the year to address cost pressures which has substantially reduced the level of financial risk. Hence, the report provides an update on some of the underlying issues to be managed over the final quarter but the CCG is forecasting delivery of the £3.1 million planned deficit.

Year-To-Date Position

Appendix 1 shows the overall year-to-date position being broadly in line with the budget at the end of December. The following issues are noteworthy:

- Table 1 below summarises the movements in notified allocations for December. This includes a first tranche of transformation funding (£1.7 million) along with a number of minor allocations. It is noteworthy that the North Cumbria system has been notified of around £1.3 million of additional winter funding to support specific projects although this has yet to be included in the formal allocation process.

Table 1: Allocation movements Month 9

Non-Recurring Allocation Movements: Month 9	£'000
Transformation funding	1,700
Specific Primary Care Funding allocation	85
Diabetes transformation funding	41
Winter Funding allocation	21
Total Allocations received month 9	1,847

- The devolved primary care budget includes contingencies (in line with national business rules) and the CCG has made it clear to NHSE that this funding will be used to offset in-year pressures on the GP prescribing budget and developing GP leadership in ICCs. Hence, the position reflects that an element of the contingency will not be required and can off-set other pressures.
- Prescribing now shows an overspend based upon the actual position at October. This cost pressure arises from the increased cost of generic drugs in short supply. Under these circumstances CCGs are required to pay a nationally agreed higher cost for branded drugs. If regular supplies are not re-instated then this pressure will persist (an issue common to all CCGs across England), with the full overspend in North Cumbria potentially being up to £1 million although the position is being monitored closely.

- Other Primary Care continues to show an underspend at December based on a change to the payment profile of this year's Quality Incentive Scheme (QIS). However, it is expected that some of this will be utilised in-year to fund the ICC investments from the prescribing and diagnostic gain-share in 2016/17.
- The contract with NCUHT was agreed as a block based upon what was affordable to the CCG. The impact of the "Success Regime" plan has yet to be factored in to the year to date figures and is covered later in the report in the section regarding cost improvements. However, the plan did reflect the impact of on-going initiatives carried forward from 2016/17. It was also acknowledged as part of the risk share approach in setting the budgets that the CCG would hold contingencies for growth. It is noteworthy that through recent contractual discussions on the approval processes for managing procedures of limited clinical value that further reductions in activity would be anticipated in the latter part of the year. The table also shows out-patient procedures as the fall broadly offsets the increase in first attenders (i.e. overall numbers are broadly consistent rather than a clear increase in referrals).

Table 2: NCUHT Year-to Date Activity to November 2017

	M8 YTD COMPARED TO LAST YEAR		M8 YTD COMPARED TO PLAN	
NCUH	CHANGE	% CHANGE	VARIANCE	% VARIANCE
ACCIDENT & EMERGENCY	169	0%	3,493	6%
NON ELECTIVES	1,019	5%	1,477	7%
NON ELECTIVE XBDs	-2,880	-32%	1,065	21%
ELECTIVES/DAY CASES	-1,941	-9%	-67	-0%
FIRST OUTPATIENTS	1,528	4%	2,872	8%
FOLLOW UP OUTPATIENTS	1,695	2%	13,271	16%
OUTPATIENT PROCEDURES	445	1%	-3,337	-8%
DIRECT ACCESS	24,246	1%	168,149	8%

- The position on other NHS acute contracts is shown in Table 3 below.

Table 3: Other Acute Provider Year-to Date Activity

NHS Acute Providers	2017/18 budget £'000	YTD over/(under) £'000
Newcastle upon Tyne Hospitals NHS Foundation Trust	12,357	(281)
Northumbria Healthcare NHS Foundation Trust	10,068	(1,142)
University Hospitals of Morecambe Bay NHS Foundation Trust	4,791	(182)
Wrightington, Wigan and Leigh NHS Foundation Trust	1,596	59
City Hospitals Sunderland NHS Foundation Trust	378	(32)
South Tees Hospitals NHS Foundation Trust	605	(9)
Gateshead Health NHS Foundation Trust	523	76
Other contracts	1,208	84
TOTAL	31,526	(1,427)

- The overall position at December is consistent with November’s position with limited information being received to update the report. During January the NHS undertakes an “agreement of balances” process for all contracts that will provide further assurance on the underlying figures and it is noteworthy that the CCG has received credit notes for the under-performance on the Northumbria contract for the first part of the year.
- It is important to note that both the NHS and non-NHS provider budgets are shown net of the planned cost improvements, and the activity at independent sector providers continues to be below plan as a consequence of the initiatives introduced last year. However, more accurate information is available for non-contract activity and these are also reflected in the position. A prudent assumption has been made with non-contract activity but the information is being reviewed in detail as some of the trusts may not have reflected the boundary change.
- The continuing health care (CHC) budget (which includes NHS Funded Nursing Care) continues to show an overspend at December. The actual expenditure also reflects the 2017/18 price uplift that represents around £200,000 of the year-to-date overspend. Overall CHC activity has been broadly consistent across the months to date as shown in Table 4 and at the end of December the overall number of new packages in-year is broadly off-set by reductions (the table excludes Funded Nursing Care (FNC) contributions where numbers have increased during the year). However, a further area of cost pressures are being generated from reviews of packages and increases in patient costs.

Table 4: CHC Packages By Number Per Month

Number of Packages	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	YTD
New Packages	25	17	32	23	24	26	30	43	18	238
New/Ceased in month	11	8	16	9	6	8	9	5	9	81
RIP	(19)	(13)	(21)	(16)	(34)	(14)	(12)	(26)	(55)	(210)
Funding Ceased	(6)	(5)	(8)	(2)	(7)	(9)	(1)	(2)	(1)	(41)

- The other care underspend relates to assumed recurrent spending from 16/17 no longer required.
- As reported previously, the CCG holds funds in reserves to manage risk but these have not yet been factored into the year-to-date position. The year to date position excludes any utilisation of the £2.3 million general contingency that remains to off-set CCG and wider system financial risk.
- Running costs remain underspent at December reflecting some vacancies and some work undertaken to reduce the costs of mobile communications.
- Some pressures are being incurred in other programme costs, which is predominantly a combination of ad hoc costs actually incurred compared to the disaggregation along with the fact that the CLIC resource is now being applied in North Cumbria only.

Final Position 2016/17

Settlement has been reached with Morecambe Bay CCG in terms of the “year-end issues” (e.g. impact of the adjudication with UHMB). This is now reflected in the year-to-date position and has been broadly in line with expectations. The CCG considers the only issue to resolve (which should be revenue neutral) is to reflect the “technical” transactions relating to NHS issues such as partially completed spells. In addition, NHSE have split the deficit brought-forward in line with figures previously presented.

Cost Improvements & Risks

The CCG’s cost improvement plan is shown in Table 6 below, this remains the most significant financial risk although the additional transitional funding has considerably reduced the risk. Appendix 2 provides a profiled analysis of all the schemes including when they are expected to deliver on a monthly basis. The residual risk (excluding CHC that is reflected in the year-to-date position) of “amber” schemes is now less than £1 million compared to a contingency of £2.2 million.

Table 5

Cost Improvement Programme	2017/18 £'000
Prescribing	-1,400
Success regime: anticipated impact on provider costs N Cumbria	-7,000
Success regime - impact of new pathways outside N Cumbria	-600
Reduced Growth Through Improved case Management	-500
Non-PbR Drugs and Devices	-100
0.5% non-recurrent investment to mitigate HRG4+ pressure	-2,273
Other Non-recurring Measures	-888
Total	-12,761

An update on the current position on each scheme is summarised below:

Prescribing

The prescribing plans for each practice are developed on the basis of avoiding unwarranted variation using detailed prescribing data complemented with CCG (and potentially C&NE-wide) initiatives. In addition, the CCG ran a prescribing & diagnostic incentive scheme during 2016/17 and proposals for a similar scheme for 2017/18 were approved by the Primary Care Committee in July. The underlying level of prescribing cost growth remains less than zero and the overall budget has been set at “flat cash”. However, as noted earlier there are a number of generic drugs where there are current supply shortages resulting in some cost pressures shown in the year-to-date position. However, work undertaken by the CCG’s medicines team demonstrates that this is masking the impact of the savings schemes included in plans and the overspend is considered manageable.

Success Regime Schemes

This is clearly the highest risk area and is dependent upon reducing secondary care costs through new ways of working. Through the System Leadership Board a greater degree of focus has been placed upon developing business cases and implementation plans on those areas determined to have the most potential for 2017/18. Business cases were approved for:

- MSK – including reduction in out of area activity (@ full tariff);
- Outpatients;
- Chronic Pain & Medically Unexplained Symptoms;
- Psychiatric Liaison.

Some slippage has been identified on these schemes and an up-to-date assessment of likely impact is monitored by the system on a monthly basis. The CCG has been notified of the 2017/18 “overseas visitors” adjustment and this covers the slippage identified.

The CCG has identified slippage on investments and reserves (over and above those previously noted in the report) of £2 million, this ensures that nearly 30% of the savings have already been achieved. In addition, owing to the receipt of transitional funding then the CCG does not need to reduce provider funding for ICCs and the national winter pressures funding allows the CCG to utilise the NCUHT reserve to address the DTOC plan non-recurrently for 2017/18.

The wider North Cumbria system also continues to work with the wider NHSE/NHSI system to address whether there are sources of non-recurring funds available to support the system as outlined in the Pre Consultation Business case. NHSE have agreed to provide £1.6 million of additional funding along with the £1.7 confirmed in December year conditional upon the CCG achieving the control total (which would offset the high risk CIP schemes as highlighted above). The local NHS system therefore acknowledges this as a “given” and continues to work towards delivering all organisations’ control totals through a number of initiatives.

Pathways Outside of North Cumbria

The majority of this saving should be delivered through the impact of 2016/17 activity trends brought-forward that were not reflected in budget setting. These are on target to deliver and the year-to-date position indicates £743,000 over achievement as the budget is net of planned saving. The only area where a saving is not being experienced is in the Patient Transport Service where there is a 1% reduction in activity across Cumbria but owing to casemix the cost has increased. This has been reviewed and the most likely cause is that budgets were split on a per capita basis and the actual activity patterns are slightly different. However, the magnitude of the pressure is not significant to warrant re-opening the allocations as per the agreement made by Cumbria CCG and Lancashire North CCG.

Reduced Growth in CHC and Packages of Care

To support CCGs to deliver savings in this area NHSE commissioned Deloitte to undertake work nationally to assess the potential savings in CHC. The work identifies five key areas of work that could yield savings from this exercise:

- Improved governance for NHS funded nursing care;
- Market management;
- Improved arrangements for negotiating new care packages;
- More systematic regular reviews of individual patient needs;
- Management of specific cases;

The team are currently looking at a number of specific initiatives to provide fast-track care for end of life patients in a more systematic way that ensures resources are available for patients and thus reduce the cost in the longer-term. In addition, there are a number of short-term activities that the team has undertaken:

- 10% of new packages have been audited on a random basis to ensure costs are in line with the agreed prices for the provider (along with a number of qualitative issues). All of the sampled packages have been compliant to date, and the contracting team is also undertaking a review of all packages with new providers placed in the financial year.
- Work is on-going to ensure the CCG is not being inappropriately charged for patients placed in Cumbria under the “responsible commissioner” arrangements.
- A review is being undertaken of all Personal Health Budgets specifically to ensure patient needs are being met with the support for this work being taken over by NECSU from an external provider. The analysis undertaken suggests that this area is generating significant financial pressures.
- A follow-up internal audit review is in progress to review previous recommendations and ensure that processes are working effectively.

Drugs & Devices

The full-year effect of existing initiatives should yield in excess of £300,000 with further work on rituximab biosimilars also creating an expected benefit of around £150,000. This has now been confirmed by NCUHT. The excess savings will therefore contribute to the “system risk” as outlined in Appendix 2. However, owing to the risks attached with the likely realisation of some of the savings associated with wet AMD drugs the CCG has discounted these savings from the CIP. However, non-recurrently identified slippage in specific planned investment will mitigate the risk.

Other Schemes

The CCGs has now identified resources to cover the remaining schemes (i.e. reduced investment) to deliver £3.2 million of savings.

Recommendation

The Governing Body is asked to NOTE:

- The financial position and associated risks although the CCG continues to forecast achievement of the planned deficit for the year.

Appendix 1: Financial Position at 31 December 2017

Financial Position as at 31st December 2017	2017/18 Plan £'000	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000
Recurring Allocations				
CCG Baseline Allocation	(448,097)	-	-	-
Agreed Adjustments	(46,449)	-	-	-
Running Cost Allowance	(6,932)	-	-	-
Sub-total	(501,478)	-	-	-
Non-recurring Allocations				
Agreed Adjustments	2,712	-	-	-
Deficit carried forward	-	-	-	-
Sub-total	2,712	-	-	-
Revenue Resource Limit 2017/18	(498,766)	(368,770)	(368,770)	-
Expenditure Budget 2017/18				
Primary Care				
Devolved Primary Care	46,108	34,404	34,240	(164)
Prescribing & Medicines Management	55,941	42,186	42,641	455
Other Primary Care	5,840	4,179	3,856	(323)
Total Primary Care	107,889	80,769	80,737	(32)
Secondary Care				
NHS Acute Providers	196,899	148,963	147,536	(1,427)
Non Contract Activity & Independent Sector	3,884	2,832	2,988	156
Total Secondary Care	200,783	151,795	150,524	(1,271)
Mental Health & Learning Disabilities				
NHS Providers	42,441	31,999	32,205	206
Packages of Care	7,484	5,613	5,763	150
Learning Disability Pooled Fund	3,444	2,692	2,748	56
Total Mental Health & Learning Disabilities	53,369	40,304	40,716	412
Services Delivered in the Community				
Community Services	55,105	41,268	41,271	3
Out of Hospital Urgent Care	26,072	19,851	19,829	(22)
NHS Funded Continuing Care	21,026	15,566	16,500	934
Other Care	6,081	4,069	3,985	(84)
Total Community Based Services	108,284	80,754	81,585	831
Reserves				
Cost Growth	3,048	88	-	(88)
0.5% Non-recurring Investment	2,273	-	-	-
0.5% Planned Contingency	2,295	-	-	-
Better Care Fund	17,041	11,943	11,943	(0)
Total Reserved Funds	24,657	12,031	11,943	(88)
Total Running Costs	6,581	5,003	4,968	(35)
Other Specific Programmes	314	447	662	215
Total Costs	6,895	5,450	5,630	180
Total Expenditure Budget	501,877	371,103	371,135	32
Planned Deficit	3,111	2,333	2,365	32

Appendix 2: Cost Improvement Programme 2017/18

Identified Schemes	April	May	June	July	August	September	October	November	December	January	February	March	Total	RAG
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
System-Wide Risk														
Approved Business Cases														
PPS						(17)	(15)	(12)	16	27	19	14	32	Yellow
MUS						(15)	(15)	(10)	17	25	18	18	38	Yellow
MSK						(77)	(30)	18	36	52	63	75	137	Green
Out-patients										74	93	97	264	Green
Psychiatric Liaison										113	111	112	336	Yellow
Sub-total						(109)	(60)	(4)	69	291	304	316	807	
System Changes														
Back- Office							133	133	133	133	133	134	801	Green
Bio-similars							65	65	65	65	65	65	390	Green
Sundry Schemes						-	6	16	16	29	29	30	126	Green
Sub-total	-	-	-	-	-	-	204	214	214	227	227	229	1,317	Green
CCG Reserves & Confirmed Funding													4,876	Blue
Total from Systems Schemes													7,000	
CCG Internal Schemes														
Prescribing	75	75	125	125	125	125	125	125	125	125	125	125	1,400	Green
Out-of Area	42	42	42	42	42	42	42	42	42	42	42	42	500	Green
PTS							17	17	17	17	17	17	100	Yellow
Drugs & devices	25	25	25	25									100	Green
CHC & Packages							83	83	83	83	83	83	500	Yellow
Reserves	189	189	189	189	189	189	189	189	189	189	189	189	2,273	Blue
Other Schemes (recurring)	74	74	74	74	74	74	74	74	74	74	74	74	888	Blue
Total CCG Schemes	405	405	455	455	430	430	530	530	530	530	530	530	5,761	
Total CIP													12,761	