

NHS North Cumbria CCG Governing Body	Agenda Item 14
2 August 2017	

Finance Report June 2017

Purpose of the Report							
The purpose of the report is to provide the Governing Body with an update of financial issues.							
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>Key Issues: The report provides an update on the CCG's financial position and show at June figures are in line with plan, and considers the following areas:</p> <ul style="list-style-type: none"> • Year to date information & potential pressures • Impact of 2016/17 financial issues • Cost improvement programme & associated shared risks <p>Key Risks: As noted above action is underway to quantify and manage financial risk across North Cumbria at both organisational and system level. The most pressing risk at the moment remains implementation of the "Success Regime" actions that are planned to deliver an overall £7 million cost reduction to the system and the development of plans is being addressed through the local system leadership arrangements. A number of schemes have been identified to contribute to this work and work continues to identify further opportunities to bridge the gap along with dialogue with North of England Directors at NHSE and NHSI. In terms of system-wide</p>

working work is in progress, having identified schemes to reduce cost, how this risk will be managed within the system should savings schemes not fully achieve the required savings. However, a more formal assessment of risk and opportunities will be presented to the Finance & Performance Committee in August.

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)	
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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

Finance Report

June 2017

Introduction

The purpose of this paper is to present the year-to-date financial position of the CCG as at June 2017. Essentially owing (as is expected) to limited year to date information so far then the position is in line with plan. Hence, the report provides an update on some of the underlying issues to be managed over the coming months.

Year-To-Date Position

Appendix 1 shows the overall year to date position being in line with budget. The following issues are noteworthy:

- The CCG has been notified of a number of non-recurring allocations for month 3 summarised in Table 1 below.

Table 1: Non-recurring Allocations Month 3

Non-Recurring Allocations Month 3	£'000
Specific Primary Care Funding Allocatons (inc IT Funding)	430
Paramedic Rebanding Additional Funding 2017-18	176
Infrastructure funding for STPs	178
Other Sundry Allocations	18
Total Allocations	802

- 1) The primary care funding relates to anticipated funding for a number of specific initiatives in primary care.
- 2) The paramedic re-banding is a “pass-through” of national funding for ambulance trusts to cover the cost impact of a change in the national pay grade for paramedics. Subsequently it was confirmed that the funding will be withdrawn and then re-issued later in the year when it can be demonstrated that a number of conditions associated with the funding have been met. Further funding will be issued in 2018/19 to cover the costs and then it would be expected to be reflected in CCG allocations in future.
- 3) The infrastructure funding supports the costs of delivering STPs that is £178,000 for North (or WNE) Cumbria. This compares to £5 million to support the Success Regime in 2016/17.

- There are no pressures to date highlighted regarding the devolved primary care budget so a balanced position is reported.
- The CCG has received prescribing figures for April that show an underspend for the month of £170,000. This clearly is a positive sign and is consistent with a continuation of the trend experienced in 2016/17. The CCG is also participating in an initiative across CCG in the North & North Cumbria to encourage patients to seek “over the counter” remedies with pharmacist support that is more cost effective for both patients and the NHS.
- Given the contractual arrangements with NCUHT and limited information from other NHS providers a balanced position is shown. The impact of the “Success Regime” plan has yet to be factored in to the year to date figures. This is covered later in the report in the section regarding cost improvements. There are a number of data issues that have been raised with North Cumbria, but Table 2 shows a comparison of activity with the same period in 2016/17.

Table 2: Year-to Date Activity to May 2017

Activity @ NCUHT	17/18	16/17	CHANGE	% CHANGE
ACCIDENT & EMERGENCY	15,089	14,807	282	2%
NON ELECTIVES	5,177	5,003	174	3%
NON ELECTIVE XBDS	1,723	2,534	(811)	-32%
ELECTIVES/DAY CASES	4,614	5,240	(626)	-12%
FIRST OUTPATIENTS	8,946	9,145	(199)	-2%
FOLLOW UP OUTPATIENTS	23,041	23,274	(233)	-1%
DIRECT ACCESS	524,150	558,020	(33,870)	-6%

It is also noteworthy that activity at Northumbria Healthcare is below contract for April and May in both finance and activity terms reflecting trends from the latter part of 2016/17. This will contribute to delivery of the “out of area” cost improvement plan.

- Within non-NHS providers there are some data queries regarding Spire & Spinecare that are most likely to relate to the boundary change. However, projecting last year’s out-turn for North Cumbria patients only would generate a saving of circa £220,000 and this is expected to increase from the full-year effect of the pain management pathway changes implemented in 2016/17, thus contributing to the CCG cost improvement plan
- The continuing health care (CHC) budget (that includes NHS Funded Nursing Care) is showing an overspend at June. It is noteworthy that the budget reflects the cost improvement programme and the actual expenditure also reflects the 2017/18 price uplift. As reported in May an exercise has been undertaken to ensure costs are being appropriately allocated to either North Cumbria or Morecambe Bay CCG. This work has demonstrated that costs are being correctly allocated, and indeed looking at the specific cost of CHC packages Table 3 over the last 6 months for North Cumbria shows a fairly level trend of monthly expenditure at around £1.3 million per month.

Table 3 Monthly CHC Package Expenditure January to June 2017

North Cumbria CHC Packages	January	February	March	April	May	June
Monthly spend (£'000)	£1,295	£1,247	£1,294	£1,363	£1,328	£1,326

- A review of the other care budget post April has identified an adjustment that relates to expenditure that had been assumed to be recurring from 2016/17 but actually is no longer required so is shown as an underspend.
- As reported in May the CCG is currently holding reserved funds to manage risk in areas other than CAHMS and the GP forward view.
- Running costs are broadly in balance, although there are some non-recurring pressures in year as a consequence of the changes to GP representation with an element of double running costs that are reflected in the figures.

Final Position 2016/17

The outcome of the arbitration process with UHMB from 2016/17 has been received and discussions are in place with NHSE regarding the impact on both North Cumbria CCG and Morecambe Bay CCG going forward in terms of:

- The impact of the 2016/17 planned £8.5 million Cumbria CCG deficit
- The impact of the increased 2016/17 deficit (£11.2 million)
- The impact of the arbitration process and other issues regarding the 2016/17 balance sheet position (as is normal at the end of any financial year).

The CCG has provided some scenario analysis to NHSE on these issues in terms of the impact in terms of the movement of NHSE to “in-year” control totals along with the accounting treatment relating to NHSE business rules. The CCG is working closely with NHSE to finalise this process and this will need to be resolved by the end of Quarter 2 at the latest (in line with the agreed dis-aggregation process).

Cost Improvements & Risks

The CCG’s cost improvement plan is shown in Table 4 below which remains the most significant financial risk.

Table 4

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 current level of prescribing cost growth remains less than zero and the overall budget has been set at “flat cash” and the budget is currently underspending.

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, covering the areas noted below:

- ICCs – including frail elderly
- MSK – based upon a scheme successfully implemented in North Tees
- Outpatients based upon improving discharge processes for follow-ups
- Chronic Pain & Medically Unexplained Symptoms building upon the
- Psychiatric Liaison

This does not diminish the need to develop robust plans for all elements of “Healthcare for the Future” but immediate prioritisation has been allocated to those areas that should deliver savings. In developing these cases a parallel work-stream will consider the financial risks associated with each scheme and therefore how the risks post implementation are managed in the whole health economy along with the development of a wider risk share process. The impact of these schemes has yet to be factored into the year-to-date position. In addition, further work has identified potential system savings related to:

- Capacity released through reductions in delayed transfers of care
- Savings from the alignment of corporate and “back office” systems across organisations
- Savings from the integration of clinical support services across organisations

In addition, the opportunity to bring forward other areas of work (e.g gastroenterology and respiratory pathways identified by NHS Rightcare, further drug cost savings, etc) is also being considered, and also the work on respiratory is being widened across the whole pathway. Inevitably delays to implementation increase the risk of achieving the full benefit of savings in-year, and hence more schemes will need to be considered if the initial tranche does not deliver the required savings along with a review of potential contributions from other areas (e.g. reserves). A current exercise is on-going to assess this risk in the context of the likely benefits

from these schemes that will be presented to the Finance & Performance Committee in August.

Pathways Outside of 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 trends, namely reduced activity at Northumbria (£285,000 under at May) and Spinecare (estimated FYE of 2016/17 activity £220,000).

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 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

NHSE held a workshop on 21 July for CCGs to provide feedback on the work, and the reports have already been shared with the CHC team to ensure existing processes can be benchmarked. The CCG is evaluating those areas with most potential for North Cumbria and will develop an action plan for implementation.

Drugs & Devices

The full-year effect of existing initiatives should yield circa £300,000 in-year, thus potentially providing £200,000 further to contribute to the risk management.

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.

Appendix 1: Financial Position at 30 June 2017

Financial Position as at 30th June 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	-	-	-
Revenue Resource Limit 2017/18	(498,766)	(122,474)	(122,474)	-
Expenditure Budget 2017/18				
Primary Care				
Devolved Primary Care	46,108	11,350	11,351	1
Prescribing & Medicines Management	55,941	13,985	13,812	(173)
Other Primary Care	5,840	1,388	1,416	28
Total Primary Care	107,889	26,723	26,579	(144)
Secondary Care				
NHS Acute Providers	196,899	49,131	49,132	1
Non Contract Activity & Independent Sector	3,884	971	964	(7)
Total Secondary Care	200,783	50,102	50,096	(6)
Mental Health & Learning Disabilities				
NHS Providers	42,441	10,589	10,596	7
Packages of Care	7,484	1,871	1,874	3
Learning Disability Pooled Fund	3,444	1,187	1,206	19
Total Mental Health & Learning Disabilities	53,369	13,647	13,676	29
Services Delivered in the Community				
Community Services	55,105	13,710	13,710	0
Out of Hospital Urgent Care	26,072	6,518	6,518	0
NHS Funded Continuing Care	21,026	5,131	5,318	187
Other Care	6,081	1,369	1,253	(116)
Total Community Based Services	108,284	26,728	26,799	71
Reserves				
Cost Growth	3,933	0	-	(0)
0.5% Non-recurring Investment	2,273	-	-	-
0.5% Planned Contingency	2,295	-	-	-
Better Care Fund	17,041	4,260	4,261	1
Non-recurring CIP	(885)	-	-	-
Total Reserved Funds	24,657	4,260	4,261	1
Running Costs	6,581	1,713	1,738	25
Other Specific Programmes	314	79	103	24
Total Costs	6,895	1,792	1,841	49
Total Expenditure Budget	501,877	123,252	123,252	(0)
Planned Deficit: in-year	3,111	778	778	(0)