NHS
North Cumbria
Clinical Commissioning Group

NHS North Cumbria CCG Governing Body	Agenda Item
6 December 2017	13

Finance Report

Purpose of the Report								
The purpose of the attached report is to provide the Committee with an update of financial issues facing the CCG. The most up-to-date report attached covers to the end of October.								
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:
September Finance Report **Key Issues:** The report provides an update on the CCG's financial position and shows at October the CCG is still marginally ahead of plan on the year to date position, but that this reflects the phasing of the cost improvement programme. The position was reviewed in detail by the Finance & performance Committee on 22 November. **Key Risks:** Action continues to quantify and manage financial risk across North Cumbria at both organisational and system level. The most pressing risk at the moment remains the implementation of the success regime actions that are planned to deliver an overall £7 million cost reduction to the system of which around £2.4 million require further work. Hence it is likely the CCG contingency budget may be required to offset this pressure. The North Cumbria NHS system also continues to pursue transitional funding in accordance with the amounts

reflected in 2017/18 the 2017/18 system-wide financial plans to support the implementation of initiatives identified in the Pre Consultation Business Case for Healthier Together as these are vital for the overall system to achieve it's financial targets.

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**

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 CCG Finance Report October 2017

Introduction

The purpose of this paper is to present the year-to-date financial position of the CCG as at October 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. 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 slightly better than budget at the end of October. The following issues are noteworthy:

- Table 1 below summarises the movements in notified allocations for October.

  Table 1: Allocation movements Month 7

Non-Recurring Allocation Movements: Month 7	£'000
Crisis Acceleration Funding	113
Other sundry allocations	10
Total Allocations received month 7	**123**

- The crisis acceleration funding is specific non-recurring funding to support the development of the CAHMS service.
- There are no pressures to date highlighted regarding the devolved primary care budget so a slight underspend is being reported. However, the budget includes contingencies (in line with national business rules) and these are not factored into the position.
- Prescribing continues to show a broadly break-even position based upon the confirmed payments to July and the "ePACT" data for August. NHSE has now published guidance regarding the category M pricing "windfall". This identified that the CCG will only contribute to the national funding if Category M drugs are prescribed. (i.e. This is a "pay as you go" adjustment rather than an allocation reduction of the projected impact currently estimated at £620,000 for 2017/18.) However, of more concern is a potential pressure to cover the increased cost of generic drugs in short supply. Under these circumstances CCGs are required to pay a nationally agreed higher cost to enable branded drugs, and there are strong indicators that this may generate a significant cost pressure in the coming months should regular supplies not be re-instated. This is an issue common to all CCGs rather than being a local issue.
- Other Primary Care continues to show an underspend at October based on a change to the payment profile of this year's Quality Incentive Scheme (QIS). However, it is expected that 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. The latest assessment of what the variance would be on a PBR basis is around £3.5 million, that in value terms is broadly consistent with the unallocated contingency (£2.3 million and the residual £1 million NCUHT activity reserve). 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 September 2017

	M6 YTD COMPARED TO LAST YEAR			
Activity @ NCUH	**17/18**	**16/17**	**CHANGE**	**% CHANGE**
ACCIDENT & EMERGENCY	44,645	44,337	308	1%
NON ELECTIVES	15,866	15,139	727	5%
NON ELECTIVE XBDs	5,071	6,608	-1,537	-23%
ELECTIVES/DAY CASES	14,392	15,988	-1,596	-10%
FIRST OUTPATIENTS	28,478	27,575	903	3%
FOLLOW UP OUTPATIENTS	72,338	69,497	2,841	4%
DIRECT ACCESS	1,639,330	1,656,467	-17,137	-1%
OP PROCEDURES	26,450	27,512	-1,062	-4%

- 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	(93)
Northumbria Healthcare NHS Foundation Trust	10,068	(840)
University Hospitals of Morecambe Bay NHS Foundation Trust	4,791	(190)
Wrightington, Wigan and Leigh NHS Foundation Trust	1,596	48
City Hospitals Sunderland NHS Foundation Trust	378	(25)
South Tees Hospitals NHS Foundation Trust	605	(18)
Gateshead Health NHS Foundation Trust	523	35
Other contracts	1,330	146
TOTAL	**31,648**	**(938)**

- The CCG has received a credit note from Northumbria Health Care FT relating to quarter one which reflects the underlying impact of the activity changes first experienced in 2016/17 and is bringing activity back towards historic levels. Lancashire Teaching Hospitals have reviewed activity information as a consequence of the boundary split and have corrected previous invoices that related to South Cumbria patients.
- 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.
- The continuing health care (CHC) budget (which includes NHS Funded Nursing Care) continues to show an overspend at October as a result of the increasing volume of new packages. It is noteworthy that the actual expenditure also reflects the 2017/18 price uplift, the cost improvement plan has been phased into the budget in accordance with that shown in Appendix 2. CHC activity has been broadly consistent across the months to date as shown in Table 4.

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
New Packages	25	17	32	23	24	26	30
New/Ceased in month	11	8	16	9	6	8	9
RIP	19	13	21	16	34	14	12
Funding Ceased	6	5	8	2	7	9	1

- 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 in areas other than CAHMS and the GP forward view but these have not yet been factored into the year-to-date position.
- Running costs remain 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 being reflected in the figures.
- 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.

Cost Improvements & Risks

The CCG's cost improvement plan is shown in Table 6 below, this remains the most significant financial risk. Appendix 2 provides a profiled analysis of all the schemes including when they are expected to deliver on a monthly basis.

Table 6

Cost Improvement Programme	2017/18 £'000
Prescribing	-1,400
Success regime: anticpated 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". However, as noted earlier there are a number of generic drugs where there are current supply shortages resulting in some cost pressures. While the CCG managed within budget for the first four months potentially the impact could increase. However, the cost reduction in pregabalin from 1 August should contribute to off-setting some of these pressures should they continue.

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 (not yet reflected in allocations) and it anticipated that this would cover the slippage identified at the end of October.

Work continues to finalise the ICC and delayed transfers of care business cases. This approach 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, but delays to implementation increase the risk of achieving the full benefit in-year, especially when the impact of waiting times and patients already on waiting lists are taken into account. Work is taking place to assess the risks to the quantum of savings arising due to the impact of double running costs (investment in the new service is needed before the savings from the previous pathway can be realised). Additional schemes may need to be considered if the initial tranche does not deliver the required savings.

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 (reflected in Appendix 2;
- Savings from the integration of clinical support services across organisations.
- Savings from changes in drug costs over and above those in the original plan.

The CCG has identified slippage on investments and reserves (over and above those previously noted in the report) of £2.3 million, this ensures that nearly 30% of the savings have already been achieved.

In addition, the opportunity to bring forward other areas of work (e.g gastroenterology and trauma / Injuries pathways identified by NHS Rightcare) is also being considered, and also the work on respiratory is being widened across the whole pathway.

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 to address "double-running costs" during the implementation of changes and support the system-wide working costs (funded by the Success Regime in 2016/17).

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 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.
- A follow-up internal audit review is in progress to follow-up on 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. The excess savings will therefore contribute to the "system risk" as outlined in Appendix 2.

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 Finance & Performance Committee 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 October 2017

Financial Position as at 31st October 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)**	**(286,714)**	**(286,714)**	**-**
Expenditure Budget 2017/18				
Primary Care				
Devolved Primary Care	46,108	26,408	26,400	(8)
Prescribing & Medicines Management	55,941	32,596	32,641	45
Other Primary Care	5,840	3,175	2,917	(258)
Total Primary Care	**107,889**	**62,179**	**61,958**	**(221)**
Secondary Care				
NHS Acute Providers	196,899	115,929	114,991	(938)
Non Contract Activity & Independent Sector	3,884	2,196	2,161	(35)
Total Secondary Care	**200,783**	**118,125**	**117,152**	**(973)**
Mental Health & Learning Disabilities				
NHS Providers	42,441	24,940	25,138	198
Packages of Care	7,484	4,366	4,313	(53)
Learning Disability Pooled Fund	3,444	2,190	2,234	44
Total Mental Health & Learning Disabilities	**53,369**	**31,496**	**31,685**	**189**
Services Delivered in the Community				
Community Services	55,105	32,115	32,209	94
Out of Hospital Urgent Care	26,072	15,440	15,429	(11)
NHS Funded Continuing Care	21,026	12,218	13,000	782
Other Care	6,081	3,095	3,030	(65)
Total Community Based Services	**108,284**	**62,868**	**63,668**	**800**
Reserves				
Cost Growth	3,048	0	-	(0)
0.5% Non-recurring Investment	2,273	-	-	-
0.5% Planned Contingency	2,295	-	-	-
Better Care Fund	17,041	9,584	9,584	(0)
Total Reserved Funds	**24,657**	**9,584**	**9,584**	**(0)**
Total Running Costs	**6,581**	**3,907**	**3,908**	**1**
Other Specific Programmes	314	370	584	214
Total Costs	**6,895**	**4,277**	**4,492**	**215**
Total Expenditure Budget	**501,877**	**288,529**	**288,539**	**10**
Planned Deficit	**3,111**	**1,815**	**1,825**	**10**

Appendix 2: Cost Improvement Programme 2017/18

Identified Schemes	April	May	June	July	August	September	October	November	December	January	February	March	Total
	£'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
MUS						(15)	(15)	(10)	17	25	18	18	38
MSK						(77)	(30)	18	36	52	63	75	137
Out-patients										74	93	97	**264**
Psychiatric Liaison										113	111	112	**336**
Sub-total						(109)	(60)	(4)	69	291	304	**316**	**807**
System Changes													
Back- Office							133	133	133	133	133	133	**800**
Bio-similars							65	65	65	65	65	65	**390**
Sundry Schemes						-	6	16	16	29	29	30	**126**
Sub-total	-	-	-	-	-	-	**204**	**214**	**214**	**227**	**227**	**228**	**1,316**
CCG Reserves													**2,549**
Contribution from further schemes in development													**2,327**
Total from Systems Schemes													**6,999**
CCG Internal Schemes													
Prescribing	75	75	125	125	125	125	125	125	125	125	125	125	**1,400**
Out-of Area	42	42	42	42	42	42	42	42	42	42	42	42	**500**
PTS							17	17	17	17	17	17	**100**
Drugs & devices	25	25	25	25									**100**
CHC & Packages							83	83	83	83	83	83	**500**
Reserves	189	189	189	189	189	189	189	189	189	189	189	189	**2,273**
Other Schemes (recurring)	74	74	74	74	74	74	74	74	74	74	74	74	**888**
Total CCG Schemes	**405**	**405**	**455**	**455**	**430**	**430**	**530**	**530**	**530**	**530**	**530**	**530**	**5,761**
Total CIP													**12,760**