

Report To:	Governing Body Meetings in Common
Report Title:	Finance & Contracting Report – Month 8
Report From:	Clare Hollingworth, Chief Finance Officer
Date:	24 th January 2019
Previously Considered by:	Finance and Performance Committee, 27 th December 2018

Action Required*(delete as appropriate)*

Decision:		Assurance:	✓	Information:	✓	Confidential	
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Purpose of the Report:

To advise Members of the financial position of the CCG up to 30th November 2018 (Month 8– 2018/19) and to advise of any other financial issues likely to impact in the current financial year.

Key Points:

Despite a significant risk profile, the CCG continues to report an overall £1.0m deficit position for Month 8 in line with the Plan agreed with NHS England (NHSE). If this position can be maintained, the in-year deficit of £1.0m will be added to the brought forward figure to give a total cumulative deficit of £18.9m before Commissioner Sustainability Fund of £1.0m, of which £0.35k has been received to date.

The key points to note are:

- Expenditure is running well above Plan for Acute contracts, Continuing Healthcare (CHC) and Prescribing.
- At the time of reporting, un-validated month 7 monitoring data is available and Month 1-7 challenges have been raised with George Eliot Hospital (GEH) and University Hospitals Coventry and Warwickshire (UHCW) and are being taken through the appropriate contractual processes. Work continues with both Trusts to triangulate year to date and forecast outturn positions. Quarter 1 position has been verbally agreed with GEH.
- Significant over-performance is forecast for the Acute portfolio, driven by QIPP under-achievement, over-activity at UHCW and the Emergency Ambulance contract. For GEH, there is considerable year to date under-performance in relation to Planned Care (£1.2m) and Out-Patients (£0.85k) partially offset by over-performance on Non Electives (£1.1m) and A&E (£0.3m). However the CCG has seen planned care activity growth with other providers as patients choose to move to hospitals with shorter waiting times.
- The reported Acute forecast (£3.7m over) assumes the CCG will benefit from £1.7m of successful contract challenges. The risk in relation to this must be acknowledged.
- The Prescribing forecast overspend is driven by national NCSO ('no cheaper stock obtainable') and Category M cost pressures (£0.9m) and a level of QIPP under-achievement.
- The over-spend on Individual Packages is driven by QIPP under-achievement (a failure to contain growth) and pressure on average costs of packages.
- QIPP is forecasting 79% achievement (£3m under achievement) before application of reserves and 95% in total (£0.7m under achievement).
- The 0.5% contingency has been utilised to secure the reported year end position.
- Vacancies earlier in the year are contributing to small under-spend on Running costs year to date but it is forecast that this will be utilised by the end of March.
- Achievement of the forecast position would enable the CCG to exit 2018/19 with an underlying deficit of £1.8m. Any additional non-recurrent action needed to secure the in-year position will result in a worsening of the underlying position.
- It was agreed by Finance and Performance Committee that Acute contract over-performance, the

<p>CHC over-spend and the QIPP under-delivery be highlighted to the Governing Body as the key issues to be addressed.</p> <ul style="list-style-type: none"> The Finance and Performance Committee also wished to ensure that the Governing Body was sighted on the risk that contract challenges might not be successful and the impact this would have on the CCG's out-turn position.
Recommendation:
<p>Governing Body Members are asked to:</p> <ul style="list-style-type: none"> NOTE that an overall balanced position is reported for Month 8 but with an increasing risk profile; and NOTE the areas being escalated to the Governing Body.

Implications						
Objective(s) / Plans supported by this report:	QIPP Programme Delivery; Financial Plan Delivery					
Conflicts of Interest:	Not applicable					
Financial:	Non-Recurrent Expenditure:	Expenditure higher than planned for many budget areas.				
	Recurrent Expenditure:					
	Is this expenditure included within the CCG's Financial Plan? (Delete as appropriate)	Yes	✓	No		N/A
Performance:	Delivery of QIPP supports the assurance and financial performance of the organisation. Risk to the statutory duty to meet control total.					
Quality and Safety:	Not directly applicable					
Equality and Diversity:	General Statement: The CCG is committed to fulfil its obligations under the Equality Act 2010, and to ensure services commissioned by the CCG are non-discriminatory on the grounds of any protected characteristics. Policies/decisions may need to be adjusted in line with any equality analysis or due regard. Any decision that is finalised without being influenced by appropriate due regard could be deemed unlawful.					
	Has an equality impact assessment been undertaken? (Delete as appropriate)	Yes (attached)		No		N/A
Patient and Public Engagement:	Not applicable					
Clinical Engagement:	Clinical engagement imperative to the efficient deployment of NHS resources and successful delivery of service redesign.					
Risk and Assurance:	HIGH – significant risk that the CCG will not be able to maintain its reported net risk position which could jeopardise delivery of the agreed Plan and control total. Detailed within the Corporate Risk Register and the Assurance Framework.					

Finance and Contract Report

Month 8

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1. Executive Summary

1.1 Headlines

Despite a significant risk profile, the CCG continues to report an overall £1.0m deficit position for Month 8 in line with the Plan agreed with NHSE. If this position can be maintained, the in-year deficit of £1.0m will be added to the brought forward figure to give a total cumulative deficit of £18.9m before Commissioner Sustainability Fund of £1.0m, of which £0.35k has been received to date.

The key points to note are:

- Expenditure is running well above Plan for Acute contracts, CHC and Prescribing
- At the time of reporting, un-validated month 7 monitoring data is available and Month 1-7 challenges have been raised with GEH and UHCW and are being taken through the appropriate contractual processes. Work continues with both Trusts to triangulate year to date and forecast outturn positions. Quarter 1 position has been verbally agreed with GEH.
- Significant over-performance is forecast for the Acute portfolio, driven by QIPP under-achievement, over-activity at UHCW and the Emergency Ambulance contract. For GEH, there is considerable year to date under-performance in relation to Planned Care (£1.2m) and Out-Patients (£0.85k) partially offset by over-performance on Non Electives (£1.1m) and A&E (£0.3m). However the CCG has seen planned care activity growth with other providers as patients choose to move to hospitals with shorter waiting times.
- The reported Acute forecast (£3.7m over) assumes the CCG will benefit from £1.7m of successful contract challenges. The risk in relation to this must be acknowledged.
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Headlines

- QIPP is forecasting 79% achievement (£3m under achievement) before application of reserves and 95% in total (£0.7m under achievement).
- The 0.5% contingency has been utilised to secure the reported year end position.
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- Achievement of the forecast position would enable the CCG to exit 2018/19 with an underlying deficit of £1.8m. Any additional non-recurrent action needed to secure the in-year position will result in a worsening of the underlying position.
- It was agreed by F&P Committee that Acute contract over-performance, the CHC over-spend and the QIPP under-delivery be highlighted to the Governing Body as the key issues to be addressed.
- The F&P Committee also wished to ensure that the Governing Body was sighted on the risk that contract challenges might not be successful and the impact this would have on the CCG's out-turn position.

1.2 Recommendations

The Members of the Governing Body are asked to:

- NOTE that an overall balanced position is reported at Month 8 but with a concerning risk profile and a significant reliance on securing contractual challenges.
- NOTE the areas being escalated to the Governing Body.

1.3 Financial Duties

Description of Financial Duties	Target	In Month Variance RAG	YTD Variance RAG	RAG Explanation
Ensure revenue expenditure does not exceed the agreed allocation	Statutory duty to breakeven	Red	Red	The CCG has an agreed annual financial plan with NHS England with a cumulative control total of £18.8m deficit and an in year deficit plan of £0.65m. The CCG is currently on plan to achieve these control totals however will not meet its statutory duty to breakeven.
Maintain expenditure within the revenue resource limit and deliver against NHS England agreed control total	Position greater than or equal to Plan	Green	Green	The overall CCG position remains in balance. The CCG has fully identified its QIPP schemes and is reported under plan year to date and forecast to meet its control total.
Maintain expenditure within the allocated cash limit	Cash Drawdown less than or equal to Plan	Green	Green	The CCG was over the monthly cash target, and had a remaining cash balance of £1,454k. This was due to a carried forward balance from the previous month that related to SWFT settling an old debt from prior years and NHSE paying an invoice within 30 days of it being raised.
Maintain capital expenditure within the delegated limit from NHS England	Expenditure less than or equal to Plan	Green	Green	The CCG capital expenditure is within its capital allocation limits.
Ensure running costs are within the agreed allocation	Expenditure less than or equal to Plan	Green	Green	Running costs are underspent year to date. Forecast Outturn underspend to show QIPP achievement and Vacant Posts
Ensure a minimum of 0.5% contingency is held	Greater than or equal to 0.5%	Amber	Amber	The CCG has utilised the majority of its contingency in Month 8, with £0.09m available to offset emerging risks during the financial year.
Ensure that 0.5% of funds are held uncommitted unless agreed to be released by NHS England	Greater than or equal to 0.5%	Green	Green	The CCG has committed half of the 1% non recurrently as directed and is no longer required to keep the remaining balance uncommitted.
Ensure compliance with the better payment practice code (BPPC)	Greater than or equal to 95% by Number/Value	Green	Green	The CCG is complying with the Better Payment Practice code (BPPC) for NHS and Non NHS validated invoices

RAG Rating	
Red	Not achieving financial duty and unlikely to without remedial action.
Amber	Based upon current information there is a risk that the financial duty will not be achieved.
Green	Achieving financial duty

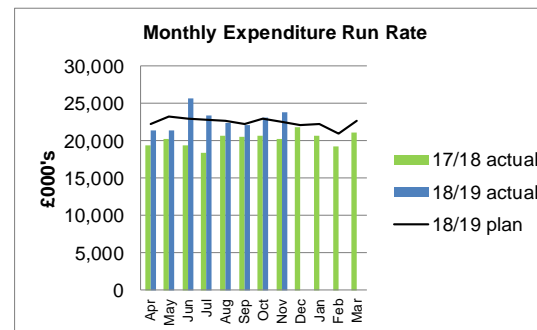
1.4 Trends

Service Area	Year to date (YTD)			Forecast Outturn (FOT)		
	Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure
	£000s	£000s	£000s	£000s	£000s	£000s
Programme Costs	183,242	(1,544)	181,698	272,116	(2,073)	270,043
Running Costs	2,928	(391)	2,537	4,087	(95)	3,992
Reserves	(964)	0	(964)	(1,595)	(208)	(1,803)
Grand Total	185,206	(1,935)	183,271	274,608	(2,376)	272,232
(Surplus) / deficit						650

	Annual Plan		Month 7 Position	
	£m	% RRL	£m	% RRL
Year to Date Cummulative (underspend) / deficit	12.3	5.0%	12.3	5.0%
In-year (underspend) / deficit - forecast	0.7	0.3%	0.7	0.3%
B/f Deficit	18.0	7.3%	18.0	7.3%
Cumulative (underspend) / deficit - forecast	18.6	7.6%	18.6	7.6%
Underlying (underspend) / deficit - forecast			1.8	0.7%

Monthly Cash Drawdown						
Period	Opening Balance £000s	PLAN CCG Cash Drawdown £000s	CCG Cash Drawdown £000s	Total Cash Available £000s	Net Spend £000s	Cash Balance £000s
April	104	21,900	21,900	22,004	21,912	92
May	92	19,300	19,300	19,392	19,372	20
June	20	22,000	22,000	22,020	22,005	15
July	15	21,300	21,300	21,315	21,114	201
August	201	20,250	19,800	20,001	19,995	6
September	6	20,235	20,300	20,306	20,299	7
October	7	21,357	21,300	21,307	19,771	1,536
November	1,536	20,168	19,500	21,036	19,582	1,454
December	1,454	20,168				-
January	-	21,318				-
February	-	20,153				-
March		17,069				-
Total CCG Cash Drawdown			165,400			
NHSBA Cash Drawdown			18,428			
Total Drawdown			183,828			

Maximum Cash Drawdown (MCD)		272,351
% of MCD utilised		67.5%
% of months completed		66.7%



2. Financial and Contractual Management

2.2 Summary Financial Position vs Annual Plan

	Original Budget	Annual Budget	YEAR TO DATE			FORECAST			PRIOR MONTH FORECAST	
			Budget	Actual	(Under) / Over spend	Forecast Actuals	(Under) / Over spend	% Variance	M7	% Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s		£000s	
Acute Healthcare	142,330	142,200	97,065	98,387	1,322	145,924	3,724	2.6%	145,140	0.5%
Non Acute Healthcare	56,262	58,273	38,871	39,266	395	58,336	63	0.1%	58,402	-0.1%
Primary Care	32,962	31,193	21,015	21,960	945	32,527	1,334	4.3%	32,654	-0.4%
Delegated Co-Commissioning	25,608	25,658	17,082	17,082	(0)	25,658	0	0.0%	25,658	0.0%
Other Programme	8,268	7,735	5,082	5,003	(79)	7,598	(136)	-1.8%	7,543	0.7%
Total Commissioning Budgets	265,430	265,059	179,115	181,698	2,583	270,043	4,985	1.9%	269,397	0.2%
0.5% General Contingency	1,215	1,215	894	0	(894)	90	(1,125)	-92.6%	14	542.9%
General Reserves	1,152	2,365	655	(964)	(1,619)	(1,686)	(4,052)	-171.3%	(674)	150.1%
Delegated Cross Charge	(2,300)	(400)	0	0	0	(207)	193	-48.3%	(207)	0.0%
Total Programme Budgets	265,497	268,239	180,664	180,734	70	268,240	1	0.0%	268,530	-0.1%
Running Cost Allowance (RCA)	3,961	3,993	2,648	2,537	(111)	3,992	(1)	0.0%	3,992	0.0%
Total Expenditure	269,458	272,232	183,312	183,271	(41)	272,232	(0)	0.0%	272,522	-0.1%
Total CCG Allocation	250,479	253,603	171,009	171,009	0	253,603	0	0.0%	253,893	-0.1%
(Under)/Over spend	18,979	18,629	12,303	12,262	(41)	18,629	(0)	0.0%	18,629	0.0%

- At Month 8 the CCG is reporting a forecast in-year deficit of £0.65m against its notified allocation which is in accordance with the Plan agreed by NHS England. This is then increased by the brought forward combined deficit of £17.98m carried forward from 2017/18 to reach an anticipated cumulative deficit of £18.63m. This does however assume application of a significant proportion of the CCG's general contingency increasing the risk exposure for the remainder of the year.
- The overall cumulative year to date position is in line with the cumulative planned deficit of £12.3m.
- Month 8 position is based on monitoring information and knowledge of contracts which reflect the most likely forecast once QIPP has been accounted for. The high level of challenges included within the Acute position (£1.7m) carry a risk to the CCG. Based upon the month 8 position it would be challenging for the CCG to mitigate this risk.
- Running Cost Allowance (RCA) expenditure is currently forecasted to be in line with the notified allocation of £3.99m

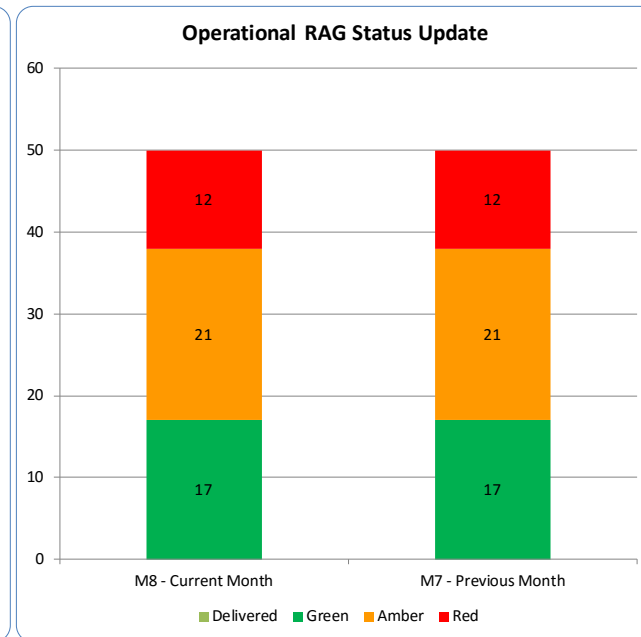
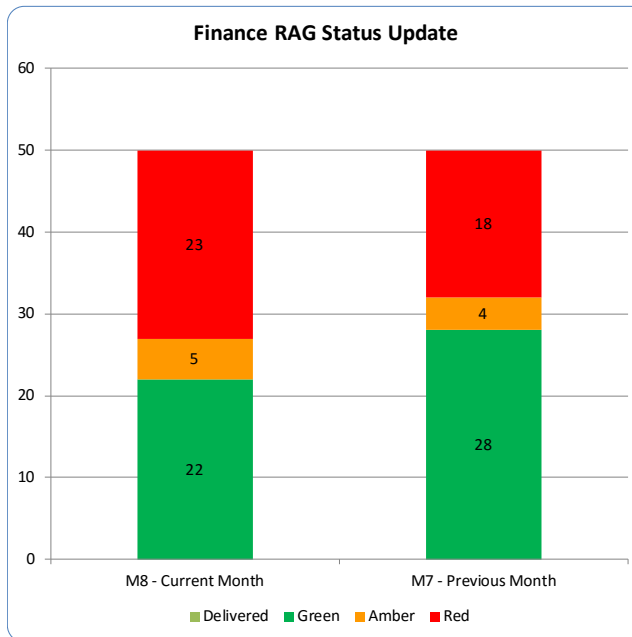
2.13 QIPP – RAG Status

The tables below show the QIPP RAG status at month 8 for both Finance and Operational performance on number of schemes rather than financial value.

Status	Finance RAG		Operational RAG	
	M8 - Current Month	M7 - Previous Month	M8 - Current Month	M7 - Previous Month
Red	23	18	12	12
Amber	5	4	21	21
Green	22	28	17	17
Delivered	0	0	0	0
TOTAL	50	50	50	50

KEY

●	On Target	$\geq 90\%$ of plan
●	Of Concern	$< 90\%$ but $\geq 75\%$ of plan
●	Action Required	$< 75\%$ of plan
DELIVERED	QIPP Delivered	



2.14 QIPP – Financial Position

Programme	Annual plan	Plan YTD	Actual YTD	Variance YTD	YTD %	Forecast Year End	Forecast Year End Variance	Forecast %	Finance RAG	
Elective Care	£1,612,690	£1,077,968	£974,947	(£103,022)	90.4%	£1,060,000	(£552,690)	65.7%	●	↓
Urgent Care	£716,749	£369,059	£242,942	(£126,117)	65.8%	£361,400	(£355,349)	50.4%	●	↓
Personalised Care + Mental Health	£1,520,896	£830,789	£116,390	(£714,399)	14.0%	£360,112	(£1,160,784)	23.7%	●	↑
Prescribing	£2,730,690	£1,756,830	£1,275,835	(£480,995)	72.6%	£2,279,110	(£451,580)	83.5%	●	↑
Primary Care	£1,834,268	£741,875	£888,471	£146,596	119.8%	£1,172,338	(£661,931)	63.9%	●	↓
Other Schemes	£2,162,713	£1,441,809	£1,441,809	£0	100.0%	£2,162,713	£0	100.0%	●	⇒
Total - Current - Month Month 8 Excl NR Flexibilities	£10,578,007	£6,218,330	£4,940,393	(£1,277,937)	79%	£7,395,673	(£3,182,334)	70%	●	↓
Elective Care (Non Recurrent)	£0	£0	£0	£0	%	£0	£0	%	●	⇒
Urgent Care (Non Recurrent)	£0	£0	£0	£0	%	£0	£0	%	●	⇒
Other Schemes (Non Recurrent)	£0	£0	£960,000	£960,000	%	£2,440,000	£2,440,000	%	●	⇒
Total - Current - Month 8	£10,578,007	£6,218,330	£5,900,393	(£317,937)	95%	£9,835,673	(£742,334)	93%	●	↑
Total - Previous - Month 7	£10,578,007	£5,161,075	£4,915,788	(£245,287)	95%	£9,872,430	(£705,577)	93%	●	●

- Forecasting 79% achievement before application of reserves and 93% in total.
- CHC delivery impeded by staffing issues in Q1 but now back on track with noted slippage and expected to deliver recurrently.
- Elective delivery impeded by provider capacity to lead pathway change.

QIPP

The graphs below show performance by each programme plan, a cumulative position and year to date QIPP performance against the QIPP profile and a straight line profile. The performance includes the additional risk position. QIPP actual performance is below plan with a significant expansion needed for the rest of the financial year as well as recovery actions.

