

Report To:	Governing Body Meetings in Common
Report Title:	Finance & Contracting Report – Month 6
Report From:	Chris Lonsdale – Director of Finance
Date:	8 th November 2018
Previously Considered by:	Finance and Performance Committee 25 th October 2018

Action Required*(delete as appropriate)*

Decision:		Assurance:	✓	Information:	✓	Confidential	
------------------	--	-------------------	---	---------------------	---	---------------------	--

Purpose of the Report:

To advise Members of the financial position of the CCG up to 30th September 2018 (Month 6 – 2018/19) and to advise of any other financial issues likely to impact in the current financial year.

Key Points:

Despite increasing financial risks, the CCG continues to report an overall balanced position for Month 6 in line with the Plan agreed with NHS England. If achieved, this then maintains the required 1.0% cumulative surplus of £6.0m to be carried forward into 2019/20.

The key points to note are:

- Expenditure is running well above Plan for Acute contracts, Prescribing and Continuing Healthcare (CHC)/Section 117 care packages.
- At the time of reporting, un-validated month 5 monitoring data is available and Month 1-5 challenges have been raised with University Hospitals Coventry and Warwickshire (UHCW) and are being taken through the appropriate contractual processes. Work is ongoing with UHCW to triangulate year to date and forecast outturn positions.
- There is significant over-performance across the Acute portfolio. Whilst activity is in line with Plan, the cost of Emergency activity at UHCW is £2.0m above Plan at M6. There is also a level of Day Case over-performance at UHCW. Any Qualified Provider (AQP) activity is above Plan as is Independent Sector activity. The contracts with SWFT, WMAS and the Pathology Network are all over-performing. The reported Acute forecast (£11.9m over) assumes the CCG will benefit from £7.5m of successful contract challenges and additional QIPP delivery of £1.4m. The risk in relation to this must be acknowledged.
- The Prescribing forecast overspend (£0.4m) is driven by national NCSO ('no cheaper stock obtainable') and Category M cost pressures (£1.7m), a level of QIPP (Gross) under-achievement which is offset by prescribing volumes (slightly below historic levels at month 4) and a prior year benefit of £0.8m
- The overspend on Individual Packages is driven by QIPP under-achievement (a failure to contain growth) and high levels of fully funded and joint funded packages.
- QIPP is forecasting 57% achievement before application of reserves and 95% in total. Schemes were risk assessed at the start of the year and impact phased in line with delivery milestones - but slippage still evident due to varying factors.
- 90% of 0.5% contingency has been utilised to secure the reported year end position, leaving only

<p>£0.3m remaining.</p> <ul style="list-style-type: none"> An under-spend of £1.0m against Running Costs is forecast. Achievement of the reported position would enable the CCG to exit 2018/19 with an underlying deficit of £492k. Any additional non-recurrent action needed to secure the in-year position will result in a worsening of the underlying position. A level of corrective action and improvement has been assumed within the forecast position; this drives the range of business as usual risks to be managed and these are reflected in the reported net risk position. The Finance & Performance Committee recommended that Acute contract over-performance and the QIPP risk, together with the resultant need for urgent remedial action, continue to be highlighted to the Governing Body.
<p>Recommendation:</p>
<p>Members are asked to:</p> <ul style="list-style-type: none"> NOTE the overall position for Month 4; 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 <ul style="list-style-type: none"> a) Deliver its agreed Plan and control total b) Maintain its reported net risk position 					

Finance and Contract Report Month 6

Contents

1.	Executive Summary Highlights Recommendations Financial Duties Trends	3-7
2.	Financial and Contractual Management Summary Financial Position QIPP – Financial Position	8-10

1. Executive Summary



1.1 Headlines

Despite increasing financial risks, the CCG continues to report an overall balanced position for Month 6 in line with the Plan agreed with NHS England. If achieved, this then maintains the required 1.0% cumulative surplus of £6.0m to be carried forward into 2019/20.

The key points to note are:

- Expenditure is running well above Plan for Acute contracts, Prescribing and CHC/Section 117 care packages.
- At the time of reporting, un-validated month 5 monitoring data is available and Month 1-5 challenges have been raised with UHCW and are being taken through the appropriate contractual processes. Work is ongoing with UHCW to triangulate year to date and forecast outturn positions.
- There is significant over-performance across the Acute portfolio. Whilst activity is in line with Plan, the cost of Emergency activity at UHCW is £2.0m above Plan at M6. There is also a level of Day Case over-performance at UHCW. AQP activity is above Plan as is Independent Sector activity. The contracts with SWFT, WMAS and the Pathology Network are all over-performing. The reported Acute forecast (£11.9m over) assumes the CCG will benefit from £7.5m of successful contract challenges and additional QIPP delivery of £1.4m. The risk in relation to this must be acknowledged.
- The Prescribing forecast overspend (£0.4m) is driven by national NCSO and Category M cost pressures (£1.7m), a level of QIPP (Gross) under-achievement which is offset by prescribing volumes (slightly below historic levels at month 4) and a prior year benefit of £0.8m.
- The over-spend on Individual Packages is driven by QIPP under-achievement (a failure to contain growth) and high levels of fully funded and joint funded packages.
- QIPP is forecasting 57% achievement before application of reserves and 95% in total. Schemes were risk assessed at the start of the year and impact phased in line with delivery milestones - but slippage still evident due to varying factors.
- 90% of 0.5% contingency has been utilised to secure the reported year end position, leaving only £0.3m remaining.

Headlines

- An under-spend of £1.0m against Running Costs is forecast.
- Achievement of the reported position would enable the CCG to exit 2018/19 with an underlying deficit of £492k. Any additional non-recurrent action needed to secure the in-year position will result in a worsening of the underlying position.
- A level of corrective action and improvement has been assumed within the forecast position; this drives the range of business as usual risks to be managed and these are reflected in the reported net risk position.
- The Finance & Performance Committee recommended that Acute contract over-performance and the QIPP risk, together with the resultant need for urgent remedial action, continue to be highlighted to the Governing Body

Further work is being undertaken on the following areas:

- QIPP recovery plans have been developed but some further work required to quantify their impact
- Additional contract challenges are being developed.
- Finance is working with Directors to look at additional mitigations and budgetary controls that could be implemented.
- A separate Financial Recovery paper has been prepared for the Committee to consider

1.2 Recommendations

Members are asked to:

- **NOTE** the overall position for Month 4; and
- **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	Green	Green	The CCG has an agreed annual financial plan with NHS England with a cumulative control total of £6m surplus and an in year breakeven position. The CCG is currently on plan to achieve these control totals.
Maintain expenditure within the revenue resource limit and deliver against NHS England agreed control	Position greater than or equal to Plan	Green	Green	The overall CCG position remains in balance.
Maintain expenditure within the allocated cash limit	Cash Drawdown less than or equal to Plan	Green	Green	The CCG is within the monthly cash target, and had a remaining cash balance of £97k.
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.
Ensure a minimum of 0.5% contingency is held	Greater than or equal to 0.5%	Amber	Amber	The CCG has utilised some of its contingency in Month 6, with £310k available to offset emerging risks during the financial year.
Ensure that 1% of funds are held uncommitted unless agreed to be released by NHS England	Greater than or equal to 1%	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 continues to comply with the Better Payment Practice Code (BPPC) for both 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 £000s	Income £000s	Net expenditure £000s	Gross expenditure £000s	Income £000s	Net expenditure £000s
Programme Costs	371,505	(32,773)	338,732	683,828	(1,809)	682,019
Running Costs	3,999	(123)	3,876	9,011	(219)	8,792
Reserves	(969)	(259)	(1,228)	277	0	277
Grand Total	374,535	(33,155)	341,380	693,116	(2,028)	691,088

(Surplus) / deficit -

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	85	82,200	82,200	82,285	81,693	592
May	592	44,700	44,700	45,292	45,255	37
June	37	32,100	32,100	32,137	32,115	22
July	22	81,800	81,800	81,822	81,811	11
August	11	38,800	38,800	38,811	38,744	67
September	67	29,850	29,850	29,917	29,820	97
October	-	80,900				-
November	-	41,200				-
December	-	49,960				-
January	-	68,160				-
February	-	40,610				-
March	-	40,894				-
Total CCG Cash Drawdown			309,450			
NHSBA Cash Drawdown			29,719			
Total Drawdown			339,169			

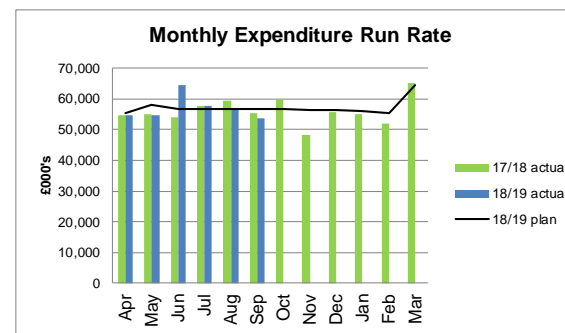
Maximum Cash Drawdown (MCD) 690,261

% of MCD utilised 49.1%
% of months completed 50.0%

Year to Date Cumulative underspend / (deficit)	Annual Plan		Month 6 Position	
	£m	% RRL	£m	% RRL
Year to Date Cumulative underspend / (deficit)	(0.0)	(0.0%)	(0.0)	(0.0%)

In-year (underspend) / deficit - forecast	(0.0)	(0.0%)	(0.0)	(0.0%)
B/f Surplus	(6.0)	(1.0%)	(6.0)	(1.0%)
Cumulative (underspend) / deficit - forecast	(6.0)	(1.0%)	(6.0)	(1.0%)

Underlying (underspend) / deficit- forecast (0.5) (0.1%)



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	M5	Diff	% Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s		£000s	£000s	
Acute Healthcare	330,785	329,363	166,823	169,434	2,611	341,242	11,879	3.6%	341,027	215	0.1%
Non Acute Healthcare	173,505	174,349	86,913	87,661	748	174,931	582	0.3%	173,156	1,775	1.0%
Primary Care	69,897	73,550	36,886	36,113	(773)	73,241	(310)	-0.4%	71,287	1,954	2.7%
Delegated Co-Commissioning	68,161	67,984	33,820	33,820	0	67,984	0	0.0%	67,984	0	0.0%
Other Programme	26,356	25,997	12,643	11,704	(939)	24,621	(1,375)	-5.3%	24,675	(54)	-0.2%
Total Commissioning Budgets	668,704	671,243	337,085	338,732	1,647	682,019	10,777	1.6%	678,129	3,890	0.6%
General Reserves	2,722	7,009	0	(1,228)	(1,228)	(33)	(7,041)	-100.5%	3,791	(3,824)	-100.9%
0.5% Contingency	3,080	3,080	0	0	0	310	(2,770)	-89.9%	128	182	141.9%
Total Programme Budgets	674,506	681,332	337,085	337,504	419	682,296	965	0.1%	682,048	248	0.0%
Running Cost Allowance (RCA)	9,692	9,756	4,316	3,876	(440)	8,792	(965)	-9.9%	9,082	(290)	-3.2%
Total Expenditure	684,198	691,088	341,401	341,380	(21)	691,088	(0)	0.0%	691,130	(42)	0.0%
Total CCG Allocation	690,198	697,088	341,401	341,401	0	697,088	0	0.0%	697,130	(42)	0.0%
(Under)/Over spend	(6,000)	(6,000)	(0)	(21)	(21)	(6,000)	(0)	0.0%	(6,000)	0	0.0%

- At Month 6, the CCG is reporting a forecast cumulative year-end surplus position of £6.0m against its notified allocation which is in accordance with the Plan agreed with NHS England. This is after the application of a number of reserves flexibilities and the application of a significant proportion of the CCG's general contingency, increasing the risk exposure for the remainder of the year.
- The reported Month 6 position reflects available monitoring information and local knowledge of contracts and an assessment of expected QIPP achievement.



An under-spend of £0.97m is forecast against the CCG's Running Cost Allowance (RCA).

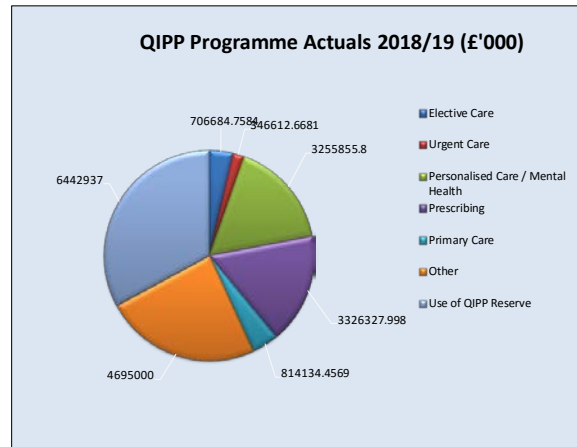
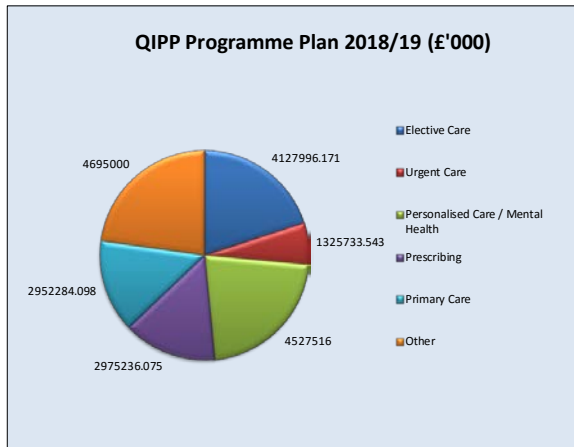
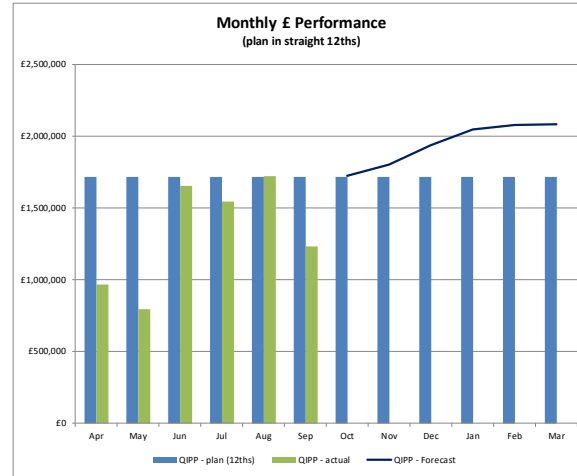
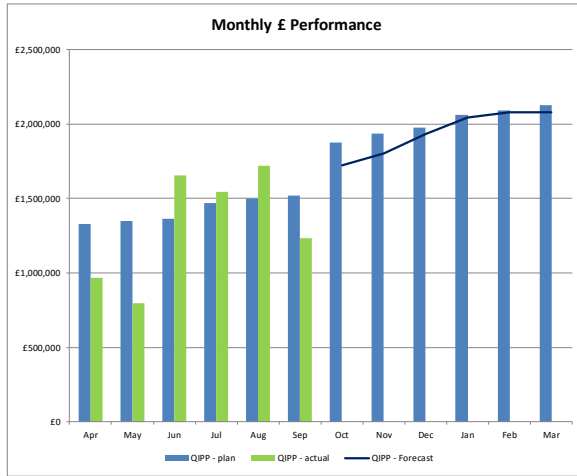
2.13 QIPP – Financial Position

Programme	Annual plan	Plan YTD	Actual YTD	Variance YTD	YTD %	Forecast Year End	Forecast Year End Variance	Forecast %	FYE	Recurrent Total	Finance RAG		Operational RAG	
Elective Care	£4,127,996	£1,636,023	£210,782	(£1,425,241)	13%	£706,685	(£3,421,311)	17%	£660,475	£1,367,160	●	↓	●	⇒
Urgent Care	£1,325,734	£387,966	£0	(£387,966)	0%	£346,613	(£979,121)	26%	£50,469	£397,082	●	↓	●	⇒
Personalised Care + Mental Health	£4,527,516	£2,012,249	£612,038	(£1,400,211)	30%	£3,255,856	(£1,271,660)	72%	£1,055,692	£4,311,548	●	↑	●	⇒
Prescribing	£2,975,236	£1,520,317	£1,689,114	£168,797	111%	£3,326,328	£351,092	112%	£786,763	£4,113,091	●	↑	●	⇒
Primary Care	£2,952,284	£626,313	£0	(£626,313)	0%	£814,134	(£2,138,150)	28%	£0	£814,134	●	↓	●	⇒
Other Schemes (Recurrent)	£1,563,000	£781,500	£781,500	£0	100%	£1,563,000	£0	100%	£0	£1,563,000	●	⇒	●	⇒
Total - Current - Month Month 6 Excl NR Flexibilities	£17,471,766	£6,964,366	£3,293,434	(£3,670,933)	47%	£10,012,616	(£7,459,150)	57%	£2,553,399	£12,566,015	●	↓	●	⇒
Other Schemes - NCSO Drugs (Non Recurrent)	£3,132,000	£1,566,000	£1,566,000	£0	100%	£3,132,000	£0	100%	£0	£3,132,000	●	⇒	●	⇒
Budget Delivery - Use of Reserves	£0	£0	£3,060,656	£3,060,656	%	£6,442,937	£6,442,937	%	£0	£6,442,937	●	↑	●	⇒
Total - Current - Month 6	£20,603,766	£8,530,366	£7,920,090	(£610,277)	93%	£19,587,553	(£1,016,213)	95%	£2,553,399	£22,140,952	●	↑	●	⇒

- Forecasting 57% achievement before application of reserves and 95% in total.
- Schemes were risk assessed at the start of the year and impact phased in line with delivery milestones - but slippage still evident.
- Personalisation impeded by staffing issues in Q1 but now back on track and expected to deliver recurrently.
- Information governance issues have slowed implementation of several schemes - now resolved.
- Re-assessment of Urgent Care identified target as too high for a single year; triggered budget review to identify alternative savings.

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.



Blank Page