

Governing Body
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REPORT

Subject	Finance Report Month 12
Date	4 May 2017
Author	Malcolm Miller (DCFO)
Lead Director	Ben Jay, Chief Finance Officer

Executive Summary

This report provides the Committee with a routine monthly update on the financial position of the CCG.

It is good practice to provide a routine update on financial matters.

This monthly report has been developed in the context of the financial turnaround of the CCG in 2015/16 and addressing the financial requirement to be met in 2016/17. This is the final report for 2016/17 and reflects the (pre-audit) position for the CCG

Recommendation

To note the financial target for the year, and the final outturn position, which achieved the targets set by NHSE and agreed with them.

Links to the business and risks

Relevant Strategic Objectives 2016/17 (please mark in bold)

1. Systematically implementing prevention, early diagnosis and early intervention
2. Commissioning services that deliver evidence-based care, in the right place and at the right time, including promoting self-care and empowering patients to manage their own conditions.
3. Making sure that care is high quality, safe and sustainable, that it improves health outcomes and wellbeing and provides a good patient experience.
- 4. Using the statutory framework with best practice governance and transparency principles to be fully accountable to our population in commissioning and operating as a part of the wider health system**
- 5. Ensure that the CCG commissions and operates in a financial manner consistent with the regulatory framework, long terms sustainability and best use of public money.**
6. We will work in close partnership with all the organisations who commission or provide care for our population, to integrate services where it makes sense and to achieve seamless transitions of care for patients where services remain separate.
7. Embedding member, public, patient, carer, staff and other stakeholders' views through meaningful engagement into decision-making processes and commissioning intentions.

Links to Board Assurance Framework / Corporate Risk Register	<p>Strategic Risk 5 - Failure to develop and maintain an effective resource allocation model to deliver business priorities in 16-17</p> <p>Corporate Risk 74 - As a result of potential Acute over performance and limited investment to provide savings there is a risk of increased spend that would result in the CCG being unable to meet its financial targets.</p> <p>Corporate Risk 90 - As a result of a CCG agreed £25.531m QIPP target for 2017/18, there is a risk that the sum of the savings opportunity in the 45+ projects is less than the £25.531m ambition, which may result in failure to achieve the QIPP target and subsequent financial and reputational damage.</p>
Details of additional risks associated with this paper (may include NHS England Assurance Framework / NHS Constitution)	<p>None</p>
Financial Implications / impact	<p>The subject of the report</p>
Legal Implications / impact	<p>The CCG has an obligation to report its financial position in a transparent way and to be properly accountable for the spending of public money.</p>
Partnership work / public engagement implications / impact	<p>Not applicable for this report</p>
Committees / groups where this has been discussed before	<p>Finance and Performance Sub-committee 26 May 2017 Executive Management Committee</p>
Other options available and their pros and cons	<p>Not applicable for this report</p>
Background papers	<p>As attached, and previous Finance papers that have been presented to the Governing Body</p>



Financial Performance Dashboard

Measure	Month 12 performance	RAG Rating	Commentary
1 Full year performance against plan: Overall	£12m plan surplus is was not expected to be delivered based on mid-year plans. A reduced surplus of £9.1m was agreed with NHSE in month 7 and this revised target has been achieved.	Delivered	The final outturn at month 12 is an overspend on Programme Costs of £8.3m with Running Costs approximately breakinft even which, after offsetting the surplus reserves of £5.4m leaves a shortfall against plan of £2.9m. This position excludes the release of the 1% non-recurrent reserve but includes additional £3.0m non-recurrent receipts
2 Full year QIPP Delivery	QIPP of £15.8m was delivered for the year against a plan target of £17.4m.	Moderate	
3a Public Sector Payment Policy: NHS Invoices (95% target) Non-NHS Invoices (95% target)	88% by number paid within 30 days 97% by number paid within 30 days	Negligible Negligible	99% achieved by value for NHS 99.4% achieved by value for Non-NHS
3b Cashflow	Cash managed within allowed tolerance of Cash Resource Limit	Delivered	Cash year to date managed within plan
3c Capital Investment	£217k investment delivered in Mth 12 .	Negligible	In excess of 90% by value of capital programme delivered
3d Accounts delivered to national timetable	All deadlines achieved	Delivered	Monthly timetable and key deliverables issued by NHSE
3e Un-coded invoices at month end	165 Non Purchase Order invoices un-coded	Negligible	Internal target set at 450 which represents 1 weeks average invoices
3f Invoices pending authorisation at month end	1,523 pending invoices	Low	Internal target set at 1,250 pending invoices.

Financial Report – March 2017 (Month 12 2016/17)

Context

1. 'Stretch' surplus target. Late in the planning process for 2016/17, the CCG was directed to deliver a higher level of surplus than is usual for the current year. This is not, however, available as uncommitted funds for the CCG but is committed elsewhere in the NHS system. This moved the level of surplus from £5.3m (1% per the business rules – see below) to £12m (or 2.3%). The adjustments required to achieve this higher surplus, reducing investment and increased QIPP, resulted in a higher level of inherent risk to the delivery of the financial targets. Revised target of £9.1m accepted by NHSE (Q3 2016/17).
2. Business rules. The plan that was agreed included compliance with CCG business rules. These are set out below, together with the value and compliance.

Business Rule	Application for BCCG	Current Position
1 % surplus	1% surplus (£5.3m) is planned for, plus a further 1.3% in the current year. The total surplus is £12m. This is shown in Appendix 1.	The CCG is forecasting to deliver a surplus of £9.1m 1.72%, 0.72% in excess of the Business Rule
1% non-recurrent headroom	1% non-recurrent headroom is included in current expenditure as required by NHSE. This amounts to £5.3m and is shown on the face of Appendix 1.	This planned expenditure remained uncommitted in its entirety throughout the year as required by NHSE. No expenditure is shown in the final outturn for the year, effectively releasing this amount which has increased the overall surplus for the year to £14.4m, £2.4m higher than the original plan target of £12.0m.
0.5% contingency	This has been planned for in the current year (value £2.7m). This is shown in Appendix 1.	The over performance on acute contracts ensured that the full amount of the contingency fund was required to offset that performance over plan.

3. Recurrent balance. The CCG is also required to be able to demonstrate that the underpinning 'recurrent' financial position is also in balance. (There is a risk that one-off benefits could be used to report a position financial position, disguising an underlying deficit position.) The CCG has delivered an overall surplus, and is therefore compliant with the requirement to demonstrate 'recurrent revenue balance'.

Full Year Outturn

4. For the year ended 31st March 2017, BCCG had an over spend of £2,422k (0.45%) compared with planned expenditure of £534.7m for the period (Section 2 and Appendices 1, 2 & 3).

Financial performance, BCCG, 2016/17

	£m	
a. Surplus control total set	12.0	
b. Agreed reduction in target	(2.9)	
c. Agreed outturn target for 2016/17 (a - b)	9.1	
d. Actual surplus achieved (pre-audit)	9.1	
e. Variance to agreed target outturn (c - d)	-	Target achieved
f. Release of 1% (national risk reserve)	5.3	
g. Total surplus for the year (d + f)	14.4	
h. Variance to control total	2.4	
i. Target for BCCG set out in NHSE (Paul Bauman) letter of April 2017	2.4	
j. Variation to NHSE year end target outturn (h- i)	-	Target achieved

It should be noted that this position had been improved by some £3.0m in month 12 due to non-recurrent receipts including grant funding and some non-recurrent support for the ongoing process of organisational transformation and turnaround, which is impacting on both staffing costs and capacity for key improvement projects, such as the procurement of a new community health services contract

5. In broad terms the movement between the forecast outturn position in month 11 and the actual outturn in month 12 was a further deterioration in the main acute contracts of approximately £1.6m. This was anticipated as a number of the initiatives in month 11 were unidentified STP based challenges. The £1.6m acute deterioration was offset by savings elsewhere, particularly in relation to property charges and a revaluation of the Community Equipment Stock.
6. The outturn for the year has been adversely affected by the following main actors:
- a. Acute commissioning at the top 6 providers is overspent driven by over-performance, particularly at Luton & Dunstable FT (Outpatients), East & North Herts Trust (Non-Elective) and Bedford Hospital Trust Non-Elective, Elective & A&E.
 - b. Counting & Coding issues at East & North Herts Trust.
 - c. Some spot purchases of beds.
 - d. Financially challenged ambulance service where a remedial action plan has been implemented.
 - e. An over spend in Adult Mental Health arising from the outcome of a clinical review of CCG liabilities for mental health in previous financial years.
 - f. 40% increase in Free Nursing Care rates backdated to the beginning of the year.
 - g. Additional transformational costs incurred in respect of the strategic procurement activity and local sustainability and transformation plan development.
 - h. Under achievement of QiPP savings.

Details of the key variances on expenditure are detailed on **Appendices 1b & 2b**.

Table 1: Bedfordshire CCG financial position for the year ended March 2017

	Budget £'000	Actual £'000	Variance £'000
Acute Commissioning	227,049	237,623	(10,574)
Other Acute	59,853	56,681	3,172
Commissioning Partnerships	73,972	75,621	(1,649)
Out of Hospital	61,610	61,854	(244)
CHC	23,661	24,697	(1,036)
Prescribing	61,036	59,803	1,233
GPIT	1,092	419	673
Safeguarding	947	789	159
Subtotal	509,220	517,487	(8,267)
Reserves applied	16,436	11,014	5,422
Running costs	9,048	9,082	(34)
Subtotal	25,454	20,096	5,388
Overall	531,674	532,282	(2,879)

Note: The table above excludes the release of the 1% Non-recurrent surplus.

Embedded in the above figures is the impact of the QIPP program which achieved £15.8m of cash releasing savings and cost pressure management some £1.6m down on the plan target of £17.4m.

7. Financial Risks

The main financial risks are:

- There is no contingency available to offset any issues arising out of the year-end audit.
- Although the level of Acute challenges included in the position are those which we expect to be delivered (not the higher, speculative negotiating level) they are running at £4.4m in aggregate. They represent a risk in the sense that they have not been finalised with the main providers on a 'full & final settlement' basis & we need to be mindful of:
 - The auditors seeking to identify & quantify the level of risk within each contract & then aggregating the overall risk which might be close to the audit materiality level
 - Ensuring that the challenges stick otherwise, if they unravel, they will impact adversely on next year
- Formally reconciling, and evidencing, the reported contract position with individual providers

This outturn is now subject to audit. Some figures in the outturn are estimated due to the timing of the Months data being confirmed.

The CCG is confident that the estimates made are robust and prudent.

8. Financial/Technical Accounting

There are also a number of other useful financial indicators of performance that can be derived from sources within the financial ledger, in order to both help manage performance and also track improvements, Appendix 6, 6a, 6b and 6c, namely;

Public Sector Payment Policy

This shows that for Month 12, 97% (number) and 99% (value) of Non NHS invoices were paid within 30 days of being approved (against the 95% target). It also shows that for Month 12, 88% (number) and 99% (value) of NHS invoices were paid within 30 days of being approved (against the 95% target).

Invoices awaiting authorisation

The analysis shows that, at Wednesday 19th March 2017, there were 1,523 invoices (previously 1,802 at 13th March 2017) within the financial ledger, awaiting processing (either coding, and/or approval, and/or formally in dispute).

The analysis shows the value of these pending invoices as at 19th April 2017 was £17.9m (previously £33.0m as at 13th March 2017), being a £15.1m decrease in unauthorised invoices held on the system for the reasons identified above.

Cash Flow

Using the agreed annual budget of £528m, as a proxy indicator for available cash, it is possible to gauge whether, or not, cash expenditure is in line with the plan. It should be noted that the CCG has drawn down additional cash resource in two tranches of £10m and £4m in addition to the original annual budget in order to meet forecast demand.

Accordingly, the forecast cash “drawdown” for Months 01 to 12 is circa £546.9m, with an actual drawdown occurring of £543.5m.

Hence, as at 31st March 2017 the under drawn of cash, against the plan, was £3.4m, which was caused by a late, unplanned receipt.

Whilst it is a relatively crude analysis, it does help triangulate financial performance, and provide another indicator of financial control.

Aged Debtors

The total outstanding debtors balance (i.e. monies owed to the CCG) as at 31st March 2017 was £5.8m (previously £4.4m).

Debt outstanding (uncollected) at the end of 2015/16 was £4.2m. No debts were written off last year.

This indicates that the debtor position is generally fairly stable, with the majority of debt being settled by year end and a level of month end debt of around £4m-£7m being usual, depending on the pattern of invoicing and cashflow each month.

	£	No.	%age
30 days or less	3,276,703	67	56.4%
31 to 60 days	411,873	11	7.1%

61 to 90 days	14,853	1	0.2%
91 to 120 days	18,960	1	0.3%
121 days or more	2,088,281	62	36.0%
	5,810,670	142	100.0%