

AGENDA ITEM: 13

GOVERNING BODY	REPORT
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Subject	Finance Report as at May 2017 (Month 2)
Date	6 th July 2017
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Executive Summary

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

The report highlights the current in-year position and the forecast outturn position for the year against the requirement to deliver the financial surplus for the year of £11.0m.

Recommendation:

1. To note and discuss the financial position at month 2, on plan but with risks to be managed, and to note the risks to delivering the target year end financial position and the mitigations required to ensure the CCG achieves the target surplus.
2. To note the summary 'Dashboard' of financial indicators supplied to provide a quick overview of financial performance.

Links to the business and risks

Relevant Strategic Objectives 2017/18 (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	The financial position is linked to both the Board Assurance Framework and Corporate Risk Register
Details of additional risks associated with this paper (may include NHS England Assurance Framework / NHS Constitution)	As outlined in the Financial Risk Register
Financial Implications / impact	The subject of the report
Legal Implications / impact	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.
Partnership work / public engagement implications / impact	N/A
Committees / groups where this has been discussed before	Considered by the Executive Committee Meeting
Other options available and their pros and cons	N/A
Background papers	N/A



Financial Performance Dashboard

Measure	Month 2 performance	RAG Rating	Commentary
1 Forecast performance against plan: Overall	The CCG is currently forecasting to deliver it's planned surplus of £11.0m.	High	The challenging nature of the £11.0m target control total which represents 2.0% of Revenue Resource Allocation, (previous financial year was 1.1%) comprising 1.0% Surplus & 1.0% Deficit Recovery & the necessity to deliver £25.4m (4.6%) QJPP in order to achieve this equates to a high degree of underlying risk.
2 Full year forecast QJPP Delivery	The current assessment of QJPP delivery is a Risk Adjusted Gap of £3.9m.	High	The focus is now centred on developing & delivering pipeline schemes to mitigate this risk and exploiting the scope identified within the Optum High Impact areas & the Menu of Opportunities (MoO)
3 Year to date performance against plan: Programme Costs	£455k adverse variance	High	Over performance in acute contracts and QJPP schemes delivering less than originally planned.
4 Year to date performance against plan: Running Costs	£96k adverse variance	Low	Action is being taken to bring the costs back in line with plan.
5a Cashflow	Year to date position £10.5m over planned drawdown	Low	Clearance of year end creditors caused a spike in cash requirements. This is a phasing issue & will reverse in future months.
5b Capital Investment	£133k annual capital allocation received	Negligible	Evaluate capital required to fund the rolling internal IT replacement programme. Surplus to fund main IT investment programme via HBL ICT.
5d Accounts delivered to national timetable	All deadlines achieved	Negligible	Monthly timetable and key deliverables issued by NHSE
5e Un-coded invoices at month end	229 Non Purchase Order invoices un-coded	Negligible	Internal target set at 450 which represents 1 weeks average invoices
5f Invoices pending authorisation at month end	1,529 pending invoices	Low	Internal target set at 1,250 pending invoices.

Finance Report – May 2017 (Month 2 2017/18)

Context

1. Surplus. The CCG has agreed with NHS England to deliver a surplus of £11.0m which comprises 1% per the business rules and 1% deficit recovery.
2. Business rules. The plan that was agreed was fully compliant with the national planning business rules;
 - a. 0.5% Contingency
 - b. 0.5% Non-recurrent Reserve (national risk reserve guidance)
 - c. 0.5% Non-recurrent Reserve (committed)
 - d. 0.5% CQUIN Reserve
3. Recurrent Balance. The CCG is also required to be able to demonstrate that the underpinning 'recurrent' position is also in balance. (There is a risk that one-off benefits could be used to report a financial position, disguising an underlying deficit position.) The CCG is delivering an overall surplus, and is therefore compliant with the requirement to demonstrate 'recurrent revenue balance'.

Year to Date Position

4. In the year to date so far, BCCG has overspent by £37k (0.04%) compared with planned expenditure of £90.8m for the period (**Appendix 1**).
5. The year to date position has been Affected by the following factors:
 - a. Both the year to date position and the ability of the CCG to produce a forecast outturn have been compromised by:
 - i. Incomplete data & incorrectly analysed data from Bedford Hospital at the time of producing the accounts has meant that the plan position has been adopted. This is a prudent view of the data available.
 - ii. East & North Hertfordshire Trust had previously notified the CCG that data would not be available for month 2 reporting due to the ongoing impact of the May cyber-attack so again the plan position has been adopted in lieu.
 - iii. Nationally prescribing data is not available until month 3. The data for both Bedford Hospital & East & North Herts Trust is expected to be available for month 3 reporting.

6. The results for the year to date are set out in the table below. The key messages to be noted at this early stage of the year, are an overspend at Luton & Dunstable Hospital (£769k) driven by increased non-elective activity and non-delivery of QIPP (Quality Innovation Productivity and Prevention) (£387k).

Details of the key variances on expenditure are detailed on **Appendix 1b**.

Table 1: Bedfordshire CCG financial position for the year to May 2017

	Budget £'000	Actual £'000	Variance £'000
Acute Commissioning	39,743	40,458	(715)
Other Acute Commissioning	9,719	9,842	(123)
Partnerships	13,172	13,273	(101)
Out of Hospital	10,673	10,713	(41)
CHC	4,565	4,083	482
Prescribing	10,055	10,029	26
GPIT	200	200	0
Safeguarding	152	135	16
Subtotal	88,280	88,735	(455)
Reserves applied	914	400	514
Running costs	1,639	1,735	(96)
Subtotal	2,553	2,135	418
Overall	90,833	90,870	(37)

7. Forecast year-end position

The CCG has not produced a revised full year forecast outturn for month 2, the planned outturn is assumed to be the forecast position. The ability of the CCG to produce a forecast position was compromised by the following factors:

- i. Incomplete data & incorrectly analysed data from Bedford Hospital at the time of producing the accounts has meant that the plan position has been adopted. This is a prudent view of the data available.
- ii. East & North Hertfordshire Trust had previously notified the CCG that data would not be available for Month 2 reporting due to the ongoing impact of the May cyber-attack so again the plan position has been adopted in lieu.
- iii. Nationally prescribing data is not available until Month 3.
- iv. The inherent danger of extrapolating a position so early in the year.

8. Risk Adjusted Plan (Forecast) Outturn

Detailed analysis of factors not included in the plan (forecast) position which may impact on the outturn indicates a range of possible outcomes between a 'best case' £16.6m (compared with a plan of £11.0m), and a 'worst case' surplus of £3.1m, an overall range of -£7.9m to +£5.6m.

This analysis shows that if risks of up to £8.6m were to fully materialise, then potential mitigating actions have been identified to correct that and bring the CCG back in line with the agreed financial plan.

9. Financial Risks

The main financial risks relate to the following, namely:

- Delivery of the QIPP programme in full during 2017/18;
- Managing Acute over-performance on the top 6 provider contracts, both in terms of activity and the potential cost implications of the introduction of ICD 10 and HRG4+
- Realisation in full of the 2016/17 Acute contract challenges;
- Acute activity not captured in the 2016/17 reported position;
- Cost pressures arising from the delivery of Dermatology Services from a block contract to PbR.

The key risks identified are:

- Unfunded growth in Non-elective activity
- Shortfall in the delivery of QIPP
- Prior year challenges not realised
- Contribution to LD Nurses
- Dermatology Service moving from block to PbR(Payment by Results)

Key mitigations to counter the risks identified are:

- Release of contingency provision
- Delay investments
- Develop QiPP pipeline opportunities
- Exploit potential in collaborative STP savings programme
- Explore opportunities in the Deloitte MoO review
- Expand RightCare programme

10. 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, namely:

Public Sector Payment Policy

At the point of writing this report the data is not available and a verbal update on this performance indicator will be provided at the Finance & Performance Committee meeting.

Invoices awaiting authorisation

The analysis shows that, at Wednesday 14th June 2017, there were 1,529 invoices (previously 1,523 at 13th March 2017) within the financial ledger, awaiting processing (either coding, and/or approval, and/or formally in dispute).

Cash Flow

Using the agreed annual budget of £495m, (subject to finalisation when the budget has been adjusted for the cumulative historic deficit) as a proxy indicator for available cash, it is possible to gauge whether, or not, cash expenditure is in line with the plan.

Accordingly, the forecast cash “drawdown” for Months 01 to 2 is circa £82.4m, with an actual drawdown occurring of £92.9m.

Hence, as at 31st May 2017, the over drawn of cash, against the plan, is £10.5m, which is caused by a spike in expenditure as a result of clearing year end creditors which will reverse out by the year end.

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 May 2017 is £9.1m (previously £5.8m), £1.2m 121 days or more overdue

The comparative period in 2016/17 had total debtors outstanding of £4.4m of which £1.2m had been outstanding for 121 days or more.

The higher balance at 31st May 2017 is driven by 3 large debtors; £1.6m owed by Central Bedfordshire Local Authority, £2.9m owed by Circle and £1.8m owed by Optum. All of these debtors are expected to clear in due course.

	Mth12 £	Mth 02 £	No.	%age
30days or less	3,276,703	3,294,259	38	36.1%
31to 60 days	411,873	3,323,493	17	36.4%
61 to 90 days	14,853	56,195	14	0.6%
91 to 120 days	18,960	408,263	9	4.5%
121 days or more	2,088,281	2,040,334	52	22.4%
	5,810,670	9,122,544	130	100.0%



Appendix 1a

Summary of financial position at 31 May 2017 (Month 2)

	2016/17	Annual	Forecast	Variance		Budget	Actual	Variance	
	Outturn £'000	Budget £'000	Outturn £'000	£'000	%	YTD £'000	YTD £'000	Year to Date £'000	%
Income									
Recurrent Resource Allocation	(530,054)	(548,261)	(548,261)	0	0.00%	(91,404)	(91,404)	0	0.00%
Running Cost Allowance	(9,814)	(9,857)	(9,857)	0	0.00%	(1,643)	(1,643)	0	0.00%
Deficit brought forward	63,149	48,746	48,746	0	0.00%	8,124	8,124	0	0.00%
Others	(6,839)	2,282	2,282	0	0.00%	380	380	0	0.00%
Total Income	(483,558)	(507,090)	(507,090)	0	0.00%	(84,543)	(84,543)	0	0.00%
Expenditure									
Acute Commissioning Top six providers	237,623	230,891	230,891	0	0.00%	39,743	40,458	(715)	-1.80%
Other Acute Commissioning	56,681	58,316	58,316	0	0.00%	9,719	9,842	(123)	-1.26%
Commissioning partnerships	75,621	79,034	79,034	0	0.00%	13,172	13,273	(101)	-0.77%
Out of Hospital	61,854	64,038	64,038	0	0.00%	10,673	10,713	(41)	-0.38%
Continuing Healthcare	24,697	27,393	27,393	0	0.00%	4,565	4,083	482	10.56%
Primary Care Prescribing	60,222	61,531	61,531	0	0.00%	10,255	10,229	26	0.25%
Safeguarding	789	911	911	0	0.00%	152	135	16	10.80%
TOTAL EXPENDITURE BEFORE APPLICATION OF RESERVES	517,488	522,114	522,114	0	0.00%	88,280	88,735	(455)	-0.52%
Reserves									
Non recurrent 0.5% reserve	5,713	2,742	2,742	0	0.00%	457	400	57	12.42%
Contingency Reserve	0	2,741	2,741	0	0.00%	457	0	457	100.00%
Investment Reserves (Held until PID Approved)	0	4,663	4,663	0	0.00%	0	0	0	100.00%
Non Recurrent Headroom (must be held as uncommitted)	5,301	2,741	2,741	0	0.00%	0	0	0	0.00%
Sub Total	11,014	12,887	12,887	0	0.00%	914	400	514	56.22%
TOTAL PROGRAMME EXPENDITURE AFTER APPLICATION OF RESERVES	528,502	535,001	535,001	0	0.00%	89,194	89,135	59	0.07%
Running Costs	9,082	9,835	9,835	0	0.00%	1,639	1,735	(96)	-5.88%
SURPLUS/(DEFICIT)	(54,026)	(37,746)	(37,746)	0	0.00%	(6,290)	(6,328)	(37)	0.60%
IN YEAR SURPLUS/(DEFICIT)	9,123	11,000	11,000	0	0.00%	1,834	1,797	(37)	-2.04%



Explanation of Key Variances at 31 May 2017 (Month 2)

	Variance Full Year		Variance Year to Date		Comments
	£'000	%	£'000	%	
Income					
Recurrent Resource Allocation	0	0.00%	0	0.00%	
Running Cost Allowance	0	0.00%	0	0.00%	
Others	0	0.00%	0	0.00%	
Total Income	0	0.00%	0	0.00%	
Expenditure					
Acute Commissioning Top six providers	0	0.00%	(715)	-1.80%)
Other Acute Commissioning	0	0.00%	(123)	-1.26%)
Commissioning partnerships	0	0.00%	(101)	-0.77%) See Appendix 2b.
Out of Hospital	0	0.00%	(41)	-0.38%)
Continuing Healthcare	0	0.00%	482	10.56%) Year to date variance driven by uplift not being applied to all CHC invoices at present
Primary Care	0	0.00%	26	0.26%	
Safeguarding	0	0.00%	16	10.80%	
TOTAL EXPENDITURE BEFORE APPLICATION OF RESERVES	0	0.00%	(455)	-0.51%	
Reserves					
Non recurrent 0.5% reserve	0	0.00%	57	12.42%	
Contingency Reserve	0	0.00%	457	100.00%) 2/12 th's of reserve applied at month 2 to offset overspends on top 6 acutes
Investment Reserves (Held until PID Approved)	0	0.00%	0	100.00%	
Non Recurrent Headroom (must be held as uncommitted)	0	0.00%	0	0.00%	
Sub Total	0	0.00%	514	56.22%	
TOTAL PROGRAMME EXPENDITURE AFTER APPLICATION OF RESERVES	0	0.00%	59	0.07%	
Running Costs	0	0.00%	(96)	-5.88%) Agency costs, cost pressure expected to be offset by slippage later in the year
SURPLUS/(DEFICIT)	0	0.00%	(37)	0.59%	
IN YEAR SURPLUS/(DEFICIT)	0	0.00%	(37)	-2.02%	