

Paper 12.0

Governing Body Meeting
Thursday, 26th January 2017

Title:	FINANCE REPORT MONTH 9	Agenda Item:	12.0
Presented by:	BEN JAY (CFO)		
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Responsible Executive Director:	BEN JAY (CFO)		
Actions/ Recommendations required:	<p>To note the financial target for the year of £12m surplus, the reported position for the year to date and the forecast outturn position.</p> <p>To note the unmitigated risk of £2.9m, i.e. a £9.1m surplus.</p> <p>To note the emerging risk of a further £2.2m and the proposed actions to address this.</p>		
Purpose of Paper:	This report provides the Committee with a routine monthly update on the financial position of the CCG.		
Background:	<p>It is good practice to provide a routine update on financial matters.</p> <p>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.</p>		
Strategy Implications:	Support the delivery of good governance and transparency and accountability in financial management.		
Financial Implications:	The subject of the report.		
Risks:	The subject of the report.		
Legal:	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.		

Has appropriate engagement and consultation taken place?

NA

Has an appropriate equality and diversity assessment taken place?

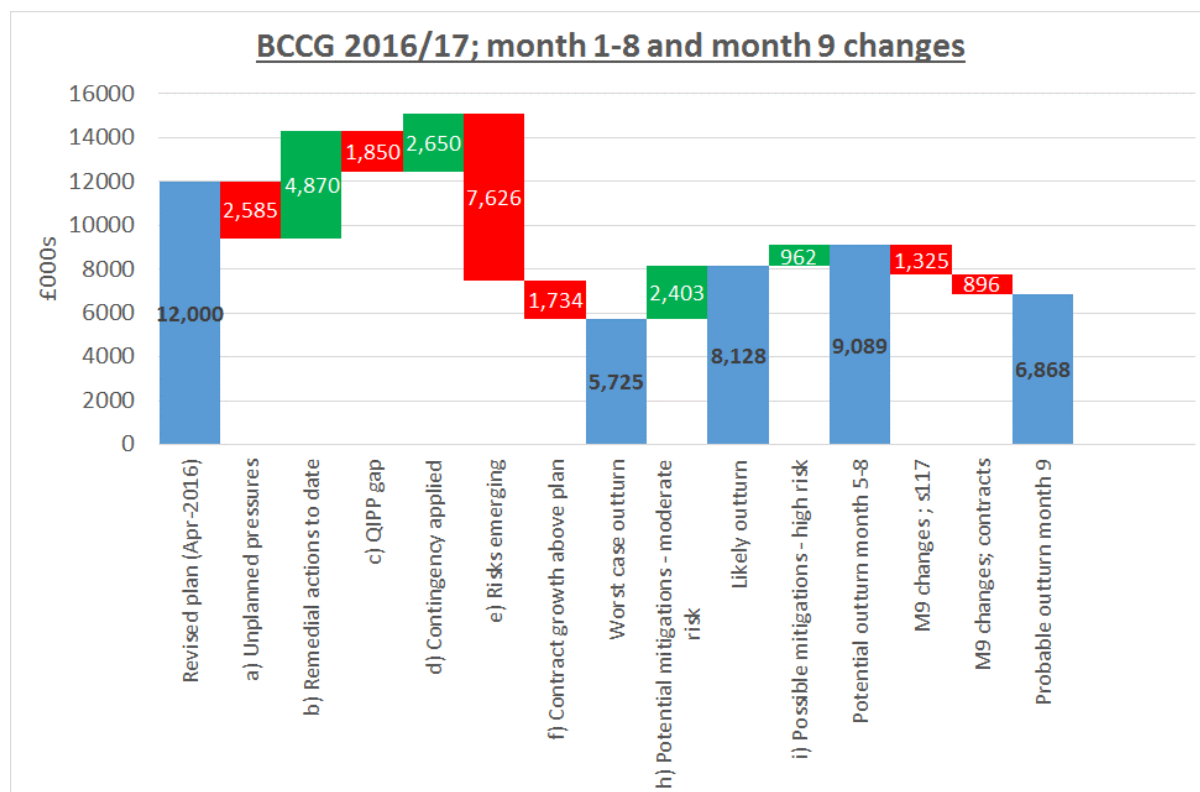
NA

Financial Performance Dashboard

Measure	Month 9 performance	RAG Rating	Commentary
1 Forecast performance against plan: Overall	£12m plan surplus is not expected to be delivered based on current plans. A reduced surplus of £9.1m was discussed with NHSE in month 7. The current forecast at month 9 is a surplus of £6.9m.	High	The forecast position at month 9 is an overspend on Programme Costs of £9.6m & an overspend on Running Costs of £0.2m offset by the application of surplus reserves £4.6m leaving a shortfall against plan of £5.2m. A recovery plan is being developed to close the gap to a target surplus of £9.1m.
2 Full year forecast Q1PP Delivery	New schemes have now been identified to reduce the gap to £0.9m (£1.1m mth. 8).	High	New schemes are in place. The programme requires significantly increased delivery in the final three months of the year, which increases risk.
3 Year to date performance against plan: Programme Costs	£5,329k adverse variance	High	Over performance in acute contracts and Q1PP schemes delivering less rapidly than planned.
4 Year to date performance against plan: Running Costs	£156k adverse variance	Low	Running costs underspent for the first 8 months but forecast to be below allocation.
5a Public Sector Payment Policy: NHS Invoices (95% target) Non-NHS Invoices (95% target)	95% by number paid within 30 days 96% by number paid within 30 days	On Target On Target	93% achieved by value for NHS 68% achieved by value for Non-NHS - £4m BBC payment notified post Nov cash drawdown paid in Dec
5b Cashflow	Cash managed within allowed tolerance of Cash Resource Limit	On Target	Cash year to date managed within plan
5c Capital Investment	£100k commitment made against rolling PC replacement programme in Mth 9.	On Target	Capital programme projected to be delivered in 2016/17
5d Accounts delivered to national timetable	All deadlines achieved	On Target	Monthly timetable and key deliverables issued by NHSE
5e Un-coded invoices at month end	809 Non Purchase Order invoices un-coded	Low	Internal target set at 450 which represents 1 weeks average invoices
5f Invoices pending authorisation at month end	1,259 pending invoices	On Target	Internal target set at 1,250 pending invoices.

Financial Report – December 2016 (Month 9 2016/17)

Current forecast outturn



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, have resulted in a higher level of inherent risk to the delivery of the financial targets.
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 £6.9m 1.3%, 0.3% 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	This planned expenditure is uncommitted in its entirety as required by NHSE. No expenditure is

	to £5.3m and is shown on the face of Appendix 1.	shown in the year to date, but the forecast is required to show that this is fully 'committed'. Discussion with NHSE is ongoing over when this may become available to the CCG.
0.5% contingency	This has been planned for in the current year (value £2.7m). This is shown in Appendix 1.	The current over performance on acute contracts indicates that the full amount of the contingency fund is 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 is currently planning to deliver an overall surplus, and is therefore compliant with the requirement to demonstrate 'recurrent revenue balance'.

Year to date

4. In the year so far, BCCG has an overspend of £5.883m (1.5%) compared with planned expenditure of £395.0m for the period (Section 2 and Appendices 1, 2 & 3).
5. The year to date position has been adversely affected by the following factors:
- a. Over-performance by the acute providers, particularly
 - East & North Herts Trust where cost has risen sharply despite only a relatively small increase in activity leading to an investigation headed by the lead commissioner, E&NH CCG. The dispute between commissioner and provider went to arbitration and has now been resolved. This reduces the risk to the CCG, and the impact will be reflected in the month 10 accounts.
 - Luton & Dunstable Hospital where the over-performance has been focussed on outpatient activity.
 - b. Some spot purchases of beds
 - c. Financially challenged ambulance service where a remedial action plan has been implemented.
 - d. An overspend in Adult Mental Health arising from the outcome of a clinical review of CCG liabilities for mental health in previous financial years.
 - e. 40% increase in Free Nursing Care rates backdated to the beginning of the year.
 - f. Additional transformational costs incurred in respect of the strategic procurement activity and local sustainability and transformation plan development.

Forecast outturn

6. Based on the month 6 figures the CCG discussed a revised forecast position with NHSE for the whole of the year to March 2017 which resulted in an adverse variance of £2.9m (0.5%) on a planned expenditure of £528.7m. This would still yield an overall surplus of £9.1m against the current plan of £12m. (This position assumes that the 1% non-recurrent reserve is not returned to the CCG and the NHSE financial returns reflect this position.)

During month 9 additional cost pressures emerged which resulted in the CCG declaring an internal forecast outturn of £6.9m (Appendix xx) a shortfall against the revised forecast position of £2.2m. This further deterioration was driven by two main factors: acute activity continuing increase faster than anticipated in the CCG plan, and the outcomes of the clinical review of mental health costs arising from prior years (mentioned above).

7. The overall deterioration in the forecast surplus is substantially driven by the following:

- a. Cost pressures already absorbed, not in the original budget (£4.5m).

Following the closure of stroke services at BHT it has not been possible to secure a split tariff agreement with BHT & L&D resulting in the CCG effectively paying twice for the service. The full year impact is estimated to be approximately £500k which has been built into the forecast position although the CCG continues to seek mitigation with the providers.

The inclusion of a Clinical Academic Reserve of £500k in the forecast outturn position which was not a clearly defined liability at the start of the year.

Financially challenged ambulance and non-emergency patient transport services which has resulted in an additional cost of £0.9m for emergency and an additional £350k for non-emergency services.

Free Nursing Care costs which were subject to a 40% price increase by NHS England in July this year, backdated to 1st April 2016, resulting in an additional, unplanned cost pressure of £1m for the year.

- b. Emerging in-year activity pressures

Activity pressures at Luton & Dunstable FT, particularly in relation to Outpatients has resulted in a cost pressure which has been absorbed into the forecast outturn (£1.7m).

Cost pressures at East & North Herts Trust where the activity levels are running at approximately 2% above the planned levels but the associated costs are 18% higher than the plan (Elective & Non-elective activity). This has now been resolved and the financial impact included in the next report.

- c. QiPP – delivery to date and forecast

The QiPP position is monitored in detail each month and a statement of year to date performance and forecast outturn is produced. Current performance shows underachievement against plan (£213k) a improvement of £335k since month 8.

The CCG continues to show a gap of £0.9m against the target QiPP savings of £17.4m where plans are not yet in place to deliver the savings. This has been a consistent factor in each month, albeit at differing levels, and plans are actively

being sought to address this shortfall. The shortfall at month 9 shows an deterioration against month 8 of £0.3m in response to a number of new schemes coming on-line. Outside of that amount, a risk-based assessment of all schemes has identified potential 'at risk' elements of QiPP schemes amounting to £1.0m and work continues to manage this risk as far as possible.

The range of risk £0.9m rising to £1.9m is a cause for concern but is an improvement on the previous month (range of risk £0.5m to £2.5m).

The QiPP programme continues to be heavily 'back-loaded' in that the majority of the programme is planned to be delivered in the last quarter of the year. This creates additional pressure as there is less time to address any slippage in delivery during those months. It is also where delivery risks are concentrated as per the risk-based review set out above.

8. Activity and cost comparison

The table below shows the year to date and forecast positions for different points of care delivery. This shows that the activity higher than plan is translating into a higher than expected cost pressure. (The table excludes the impact of QiPP schemes and contractual penalties, i.e. shows the unmitigated cost impact).

	Year to Date							
	activity				costs			
	Plan	Actual	Variance		Plan	Actual	Variance	
A&E	74,019	79,018	(4,999)	-6.8%	£10,418	£11,286	(£868)	-8.3%
Elective	25,915	26,911	(996)	-3.8%	£25,957	£27,133	(£1,176)	-4.5%
Non-Elective	30,745	31,564	(819)	-2.7%	£61,877	£63,447	(£1,570)	-2.5%
Outpatients	283,576	285,312	547	0.2%	£36,310	£37,047	(£737)	-2.0%
Other activity	305,540	316,570	(800)	-0.3%	£44,364	£46,172	(£1,808)	-4.1%
	719,794	739,375	(7,067)	-1.0%	£178,925	£185,085	(£6,160)	-3.4%

	Forecast Outturn							
	activity				costs			
	Plan	Actual	Variance		Plan	Actual	Variance	
A&E	109,628	134,038	(24,410)	-22.3%	£13,827	£14,980	(£1,152)	-8.3%
Elective	37,243	43,670	(6,427)	-17.3%	£34,561	£36,225	(£1,664)	-4.8%
Non-Elective	44,774	52,275	(7,500)	-16.8%	£82,127	£84,212	(£2,084)	-2.5%
Outpatients	410,460	469,044	(11,991)	-2.9%	£48,357	£49,461	(£1,104)	-2.3%
Other activity	425,916	489,845	(27,118)	-6.4%	£58,939	£61,455	(£2,516)	-4.3%
	1,028,021	1,188,872	(14,653)	-1.4%	£237,811	£246,332	(£8,521)	-3.6%

9. Key assumptions made in the current forecast outturn position.

The forecast set out in this report makes the following assumptions:

- a. The increased cost of spells at ENH Trust do not materialise as a cash pressure in the year, but arise from changes to counting and coding that were not properly notified to commissioners. Although this has now been confirmed the detailed evaluation of the impact has still to be finalised.
- b. BCF risk provision is used, reducing planned BCF spending (BCCG element) and being redirected to support acute over performance.
- c. S117 case liabilities, further to case-by-case clinical analysis led by ELFT, are not crystallising the level of risk previously assessed. The forecast assumes that the full liability has now crystallised.
- d. Free Nursing Care costs have been reflected in line with national guidance (this was notified in-year and represents a £1m pressure).
- e. Constitutional challenges are not being levied in the current year, in line with national guidance (this was worth c£1.2m in last year).
- f. That the assumed QIPP under-deliver of £1.9m, a combination of the shortfall reported against the schemes £0.9m plus the risk adjusted provision against new schemes yet to commence £1.0m, will not deteriorate further.
- g. The 0.5% contingency provision (£2.7m) will be deployed in full at the year end. The 1% non-recurrent headroom (which is required as part of normal CCG business rules and equates to £5.3m) is not released to the CCG but is used to defray the wider financial pressures faced by the NHS.
- h. That the EEAST recovery plan will be successful & the level of spend will be contained within the existing forecast envelope.

10. Financial Recovery Plan.

In the context of the challenged financial position described above, a financial recovery plan is now being brought together with the intention of achieving the target £9.1m surplus by the end of the year.

It should be noted that the CCG does not have any uncommitted reserves remaining. This is as a result of the financial trajectory through 2015/16, whereby all available resources were deployed to achieve the £20m deficit target, and the current year so far, whereby the resources uncommitted at the start of the year were deployed to achieve either the increased surplus, or the cost pressures that emerged after the start of the year.

11. Financial Risks

The main financial risks are:

- Delivery of the QIPP Program in full during the remainder 2016/17, bearing in mind that 65% of schemes are only planned to deliver in the last half of the year.
- Managing Acute over Performance on the Top 6 Contracts (and specifically on non-elective activity);

- Formally reconciling, and evidencing, the reported contract position with individual providers

12. 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

This shows that for Month 9, 96% (number) and 68% (value) of Non NHS invoices were paid within 30 days of being approved (against the 95% target). It also shows that for Month 9, 95% (number) and 93% (value) of NHS invoices were paid within 30 days of being approved (against the 95% target). The shortfall against the Non-NHS value paid was due to the late notification of a £4m payment to BBC which had not been include in the monthly drawdown forecast. This was paid on the following payment run.

Invoices awaiting authorisation

The analysis shows that, at Monday 16th December 2016, there were 1,259 invoices (previously 1,841 at 10th November 2016) 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 16th December 2016 was £17.3m (previously £35.6m as at 10th November 2016), being a £1830m decrease in unauthorised invoices held on the system.

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.

Accordingly, the forecast cash “drawdown” for Months 01 to 09 is circa £404.3m, with an actual drawdown occurring of £403.5m.

Hence, as at 31st December 2016 the under drawn of cash, against the plan, is £0.8m, which is caused by minor variation in the phasing of payments.

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 December 2016 is £6.8m (previously £5.5m).

The comparative period in 2015/16 had total debtors outstanding of £6,099,548 of which £1,471,581 had been outstanding for 121 days or more.

Debt outstanding (uncollected) at the end of 2015/16 was £4.206m. No debts were written off last year.

This indicates that the debtor position is generally 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	2,873,374	27	42.2%
31to 60 days	106,884	11	1.6%
61 to 90 days	416,004	7	6.1%
91 to 120 days	319,407	8	4.7%
121 days or more	3,086,594	61	45.4%
	6,802,263	114	100.%



Summary of financial position at 31 December 2016 (Month 9)

	2015/16 Outturn £'000	Annual Budget £'000	Forecast Outturn £'000	Variance Full Year		Budget YTD £'000	Actual YTD £'000	Variance Year to Date		
				£'000	%			£'000	%	
Income										
Recurrent Resource Allocation	(486,013)	(530,054)	(530,054)	0	0.00%	(395,828)	(395,828)	0	0.00%	
Running Cost Allowance	(9,732)	(9,814)	(9,814)	0	0.00%	(7,361)	(7,361)	0	0.00%	
Deficit brought forward	43,228	63,149	63,149	0	0.00%	47,362	47,362	0	0.00%	
Quality Premium	0	(1,364)	(1,364)			(447)	(447)			
Others	2,620	(552)	(552)	0	0.00%	(414)	(414)	0	0.00%	
Total Income	(449,897)	(478,635)	(478,635)	0	0.00%	(356,688)	(356,688)	0	0.00%	
Expenditure										
Acute Commissioning Top six providers	223,554	227,049	236,197	(9,148)	-4.03%	173,474	179,224	(5,751)	-3.31%	
Other Acute Commissioning	57,360	58,074	53,379	4,694	8.08%	41,870	41,407	463	1.11%	
Commissioning partnerships	73,179	73,864	75,670	(1,806)	-2.45%	55,321	56,568	(1,247)	-2.25%	
Out of Hospital	58,695	61,610	63,364	(1,754)	-2.85%	46,202	47,343	(1,140)	-2.47%	
Continuing Healthcare	23,570	23,661	24,738	(1,077)	-4.55%	17,746	18,256	(511)	-2.88%	
Primary Care Prescribing	59,855	61,036	59,087	1,949	3.19%	45,843	44,972	870	1.90%	
GP IM&T	862	1,092	950	142	13.00%	819	713	107	13.00%	
Safeguarding	725	947	787	161	16.98%	701	590	111	15.87%	
TOTAL EXPENDITURE BEFORE APPLICATION OF RESERVES	497,800	507,333	514,172	(6,839)	-1.35%	381,976	389,073	(7,098)	-1.86%	
Reserves										
Transformation Fund	4,080	4,534	4,871	(337)	-7.43%	3,401	4,017	(617)	-18.14%	
Contingency Reserve	0	2,650	0	2,650	100.00%	1,988	0	1,988	100.00%	
CHC Risk Pool	2,303	921	921	0	0.00%	921	921	0	0.00%	
Non Recurrent Headroom	0	5,301	5,301	0	0.00%	0	0	0	0.00%	
Sub Total	6,383	13,406	11,093	2,313	17.25%	6,309	4,938	1,371	21.73%	
TOTAL PROGRAMME EXPENDITURE AFTER APPLICATION OF RESERVES	504,183	520,739	525,265	(4,526)	-0.87%	388,285	394,012	(5,727)	-1.47%	
Running Costs	8,863	9,042	9,248	(206)	-2.28%	6,762	6,918	(156)	-2.31%	
SURPLUS/(DEFICIT)	(63,149)	(51,146)	(55,878)	(4,732)	9.25%	(38,359)	(44,242)	(5,883)	15.34%	
IN YEAR SURPLUS/(DEFICIT)	(19,921)	12,003	7,271	(4,732)	-39.43%	9,002	3,120	(5,883)	-65.35%	