

Paper 10.0

Governing Body Meeting

March 2017

Title:	FINANCE REPORT MONTH 11	Agenda Item:	10.0
Presented by:	BEN JAY (CFO)		
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Responsible Executive Director:	BEN JAY (CFO)		
Actions/ Recommendations required:	<p>To note</p> <ul style="list-style-type: none"> - the financial target for the year of £12m surplus (revised to £9.1m surplus) - the reported position for the year to date (£7.2m surplus) - the forecast outturn position (£9.1m surplus) - the risk to achievement of the surplus 		
Purpose of Paper:	<p>This report provides the Committee with a routine monthly update on the financial position of the CCG and the forecast outturn.</p>		
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:	<p>Support the delivery of good governance and transparency and accountability in financial management.</p>		
Financial Implications:	<p>The subject of the report.</p>		
Risks:	<p>The subject of the report.</p>		
Legal:	<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>		

Has appropriate engagement and consultation taken place?

NA

Has an appropriate equality and diversity assessment taken place?

NA

Financial Performance Dashboard

Measure	Month 11 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 agreed with NHSE in month 7.	High	The forecast position at month 11 is an overspend on Programme Costs of £8.5m with Running Costs saving approximately £0.2m and additional income of £3.3m which, after offsetting the surplus reserves of £2.1m leaves a shortfall against plan of £2.9m.
2 Full year forecast QIPP Delivery	Slippage in month 11 has reduced the Risk Adjusted Gap to £1.8m from £2.3m in month 10.	High	The focus is now centred on delivering the increased level of acute challenges to mitigate the position.
3 Year to date performance against plan: Programme Costs	£8,571k adverse variance	High	Over performance in acute contracts and QIPP schemes delivering less than originally planned.
4 Year to date performance against plan: Running Costs	£124k favourable variance	Low	Running costs now showing savings against plan for the first 11 months of the year with the forecast position expected to maintain this trend.
5a Public Sector Payment Policy: NHS Invoices (95% target) Non-NHS Invoices (95% target)	95% by number paid within 30 days 97% by number paid within 30 days	Negligible Negligible	100% achieved by value for NHS 96.5% achieved by value for Non-NHS
5b Cashflow	Cash managed within allowed tolerance of Cash Resource Limit	Negligible	Cash year to date managed within plan
5c Capital Investment	£100k commitment made against rolling PC replacement programme in Mth 11.	Negligible	Capital programme projected to be delivered in 2016/17
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	609 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	1,802 pending invoices	Low	Internal target set at 1,250 pending invoices.

Financial Report – February 2017 (Month 11 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, 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 £6.1m 1.72%, 0.72% in excess of the Business Rule
1% non-recurrent headroom (SEE PARAGRAPH 4, BELOW)	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 is uncommitted in its entirety as required by NHSE. No expenditure is 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'.
4. The CCG has been notified that the 1% non-recurrent headroom is to be released at the end of the year, but that it must remain uncommitted within the CCG's own financial position.

Year to date

5. In the year so far, BCCG has an over spend of £6,534k (1.4%) compared with planned expenditure of £481.4m for the period (Section 2 and Appendix 1).
6. The year to date expenditure position has been adversely affected by the following factors:
 - 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. Some spot purchases of beds.
 - c. Financially challenged ambulance service where a remedial action plan has been implemented.
 - d. 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.
 - 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.
 - g. Under achievement of QiPP savings.

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

Table 1: Bedfordshire CCG expenditure position for the year to February 2017

	Budget £'000	Actual £'000	Variance £'000
Acute Commissioning	208,347	216,603	(8,256)
Other Acute	53,561	51,779	1,782
Commissioning Partnerships	67,731	69,244	(1,513)
Out of Hospital	56,474	57,783	(1,309)
CHC	21,689	22,566	(877)
Prescribing	55,977	54,963	1,015
GPIT	1,001	556	445
Safeguarding	865	723	143
Subtotal	465,645	474,216	(8,571)
Reserves applied	7,506	5,594	1,913
Running costs	8,281	8,157	124
Subtotal	15,787	13,751	2,037
Overall Expenditure	481,432	487,967	(6,535)

A number of critical assumptions support the year to date position. These relate particularly to use of reserves, the anticipated profile of expenditure, and the planned delivery of QIPP (savings),

It is assumed that the QIPP program will achieve £15.7m some £1.7m down on the plan target of £17.4m, and the delivery in the year so far assumes that £13.7m has been achieved. A number of the QIPP schemes have been developed during the year which has resulted in a back-loaded programme with 35% delivered in the first half of the year and 65% in the second half. A profile of this nature carries a high level of inherent risk.

The year to date position is improved by some 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.

Forecast outturn

7. 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.)

8. 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 £200k 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 £1.1m for emergency and an additional £173k 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. 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 (£2.0m).

Similar pressures at East & North Herts Trust where the activity levels are running at approximately 6.6% above the planned levels resulting in a cost pressure of

£2.0m. The forecast includes an adjustment for the cost pressures associated with the counting & coding issues previously identified.

A deteriorating position at Bedford Hospital Trust where additional demand emerging in December has driven forecast outturn cost pressures to £1.5m.

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 (£1.4m) a deterioration of £0.2m since month 10.

The CCG has identified a gap of £1.6m against the target QiPP savings of £17.4m where schemes have failed to deliver the anticipated savings which is a sharp deterioration in-month. A focus on additional contact challenges has been identified as the area most likely to mitigate this shortfall in the time available. Outside of that amount, a risk-based assessment of all schemes has identified potential 'at risk' elements of QiPP schemes amounting to £0.2m and work continues to manage this risk as far as possible.

The range of risk £1.6m rising to £1.8m is a cause for concern but represents an improvement on the previous month (range of risk £2.3m to £3.2m).

Table 2: Bedfordshire CCG expenditure position for the full year to March 2017

	Budget £'000	Spending £'000	Variance £'000
Acute Commissioning	227,049	235,965	(8,916)
Other Acute	59,853	57,695	2,158
Commissioning Partnerships	73,972	75,657	(1,685)
Out of Hospital	61,610	62,737	(1,127)
CHC	23,661	24,508	(847)
Prescribing	61,036	59,506	1,530
GPIT	1,092	880	212
Safeguarding	947	782	159
Subtotal	509,220	517,737	(8,517)
Reserves applied	13,406	11,238	2,168
Running costs	9,048	8,881	167
Subtotal	22,454	20,119	2,335
Overall Expenditure	531,674	537,856	(5,901)

7.1 The current surplus of £9.1m has been achieved by the use of reserves to offset the overspending on programme costs and the inclusion of non-recurrent receipts, as noted above.

7.2 Details of the variances in spend against budget are shown in Appendix 1.

7.3 Material assumptions made in preparing this forecast include:

- 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 £1.8m, a combination of the shortfall reported against the schemes £1.6m plus the risk adjusted provision against new schemes yet to commence £0.2m, will not deteriorate further.
- g) The 0.5% contingency provision (£2.7m) will be deployed in full by 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.

9. Financial Recovery Plan.

In the context of the challenged financial position described above the focus of financial recovery is now centred on additional acute contract challenges in order to mitigate the overspend of acute provider contracts.

It should be noted that the CCG does not have any uncommitted reserves remaining. Any 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.

10. Financial Risks

The main financial risks are:

- Delivery of the QIPP Program in full during the remainder 2016/17, bearing in mind that £2.0m of savings are still to be delivered in the final month 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

To achieve the £9.1m target position, the CCG is placing reliance upon

- £2.4m (2.0%) contract differences to be resolved with Bedford Hospital (comprising disputed winter funding amounts, differences in estimated year end total costs, and contract challenges that have not yet been resolved).
- £1.1m (1.8%) of contract differences to be resolved with Luton and Dunstable Hospital (including unresolved challenges, and disputed invoices).
- £2.3m of contract differences outside the local area, including disputes on High Cost Drugs (Cambridgeshire Hospitals), and both unresolved challenges and counting and coding settlement values (East and North Hertfordshire Hospitals)
- Other amounts of £0.3m
- Some further potential mitigations to address shortfalls in the positions described above, or other issues arising at year end, have also been identified.

11. 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 11, 97% (number) and 97% (value) of Non NHS invoices were paid within 30 days of being approved (against the 95% target). It also shows that for Month 11, 95% (number) and 100% (value) of NHS invoices were paid within 30 days of being approved (against the 95% target).

Invoices awaiting authorisation

The analysis shows that, at Monday 13th March 2017, there were 1,802 invoices (previously 1,726 at 13th January 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 13th March 2017 was £33.0m (previously £21.8m as at 13th January 2017), being a £11.2m increase 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 11 is circa £498.4m, with an actual drawdown occurring of £491.2m.

Hence, as at 28th February 2017 the under drawn of cash, against the plan, is £6.8m, which is caused by a variation in the phasing of payments which will reverse 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 28th February 2017 is £4.4m (previously £4.4m).

The comparative period in 2015/16 had total debtors outstanding of £4.6m of which £1.2m had been outstanding for 121 days or more.

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 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.



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Appendix 1

Summary of financial position at 28 February 2017 (Month 11)

Income	2015/16	Annual	Forecast	Variance		Budget	Actual	Variance	
	Outturn £'000	Budget £'000	Outturn £'000	£'000	Full Year %	YTD £'000	YTD £'000	£'000	Year to Date %
Recurrent Resource Allocation	(486,013)	(530,054)	(530,054)	0	0.00%	(480,149)	(480,149)	0	0.00%
Running Cost Allowance	(9,732)	(9,814)	(9,814)	0	0.00%	(8,996)	(8,996)	0	0.00%
Deficit brought forward	43,228	63,149	63,149	0	0.00%	57,887	57,887	0	0.00%
Quality Premium	0	(1,372)	(1,372)	0	0.00%	(1,058)	(1,058)	0	0.00%
Others	2,620	(2,437)	(5,717)	3,280	-134.59%	(2,234)	(4,984)	(2,750)	123.10%
Total Income	(449,897)	(480,528)	(483,808)	3,280	-0.68%	(434,551)	(437,301)	(2,750)	0.63%
Expenditure									
Acute Commissioning Top six providers	223,554	227,049	235,965	(8,916)	-3.93%	208,347	216,603	(8,256)	-3.96%
Other Acute Commissioning	57,360	59,853	57,695	2,158	3.61%	53,561	51,779	1,782	3.33%
Commissioning partnerships	73,179	73,972	75,657	(1,685)	-2.28%	67,731	69,244	(1,513)	-2.23%
Out of Hospital	58,695	61,610	62,737	(1,127)	-1.83%	56,474	57,783	(1,309)	-2.32%
Continuing Healthcare	23,570	23,661	24,508	(847)	-3.58%	21,689	22,566	(877)	-4.04%
Primary Care Prescribing	59,855	61,036	59,506	1,530	2.51%	55,977	54,963	1,015	1.81%
GP IM&T	862	1,092	880	212	19.41%	1,001	556	445	44.45%
Safeguarding	725	947	789	159	16.78%	865	723	143	16.47%
TOTAL EXPENDITURE BEFORE APPLICATION OF RESERVES	497,800	509,220	517,737	(8,517)	-1.67%	465,645	474,216	(8,571)	-1.84%
Reserves									
Transformation Fund	4,080	4,534	5,016	(482)	-10.63%	4,156	4,673	(516)	-12.42%
Contingency Reserve	0	2,650	0	2,650	100.00%	2,429	0	2,429	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	11,238	2,168	16.17%	7,506	5,594	1,913	25.48%
TOTAL PROGRAMME EXPENDITURE AFTER APPLICATION OF RESERVES	504,183	522,626	528,975	(6,349)	-1.21%	473,151	479,809	(6,658)	-1.41%
Running Costs	8,863	9,048	8,881	167	1.85%	8,281	8,157	124	1.50%
SURPLUS/(DEFICIT)	(63,149)	(51,146)	(54,047)	(2,901)	5.67%	(46,881)	(50,665)	(3,784)	8.07%
IN YEAR SURPLUS/(DEFICIT)	(19,921)	12,003	9,102	(2,901)	-24.17%	11,005	7,221	(3,784)	-34.38%