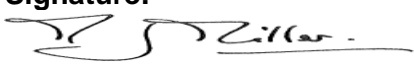


**Agenda Item:15.0**

<h2 style="margin: 0;"><b>Governing Body</b></h2> <h3 style="margin: 0;"><i>held in public</i></h3>	<h2 style="margin: 0;"><b>Report</b></h2> <p style="margin: 10px 0 0 0;">Date of Meeting: 1 March 2018</p>
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<b>Report Title</b>	Finance Report – December 2017		
<b>Report Author</b>	<b>Presented By</b>	<b>Responsible Director</b>	
Malcolm Miller, Acting Chief Finance Officer	Malcolm Miller, Acting Chief Finance Officer	<i>Malcolm Miller, Acting Chief Finance Officer</i> <b>Signature:</b> 	
<b>Purpose for presenting report</b>	The report provides the Governing Body with a routine monthly update on the financial position of the CCG.		
<b>Action Required:</b>	For decision /For approval /For discussion /To give assurance /For information only		
<b>Approval Route:</b>	<i>Finance and Performance Committee</i>		
<b>Further Assurance:</b>			
<b>Which Strategic Objectives does this report provide evidence for?</b>	<b>Please Tick ✓</b>		
We will commission high quality, safe and sustainable models of care that deliver effective clinical outcomes and patient experience using evidence based decisions and best practice			
We will ensure that there is a financially sustainable and affordable healthcare system in Bedfordshire.	✓		
We will lead, engage and operate as an effective place based and STP wide system partner to achieve greater integration of care delivery.			
We will support local people and stakeholders to have an influence on services we commission to ensure our decisions are informed and shaped by local views and insights.			
We will operate and manage our Governing Body to the highest standards of accountability and transparency.	✓		
<b>Implications/Assessments</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
Have any financial implications been signed off by the Chief Finance Officer?	✓		
Have any quality implications been signed off by the Director of Nursing & Quality?			
Have any privacy implications been signed off by the Head of Information Governance?			
Have any conflicts of interest implications been signed off by the Corporate Office?			
Have any public engagement implications been signed off by the Head of Communications & Engagement?			
Has an Equality Impact Assessment been carried out?			
<b>Key Risks</b>	As outlined in the Financial Risk Register		
<b>Executive Summary</b>	The report provides the Governing Body with a routine update on the financial position of the CCG.		

	<p>NHSE has given the CCG a revised Control Total of break even in year for 2017/18, but NHSE has also acknowledged the risks to delivering this revised Control Total.</p> <p>The forecast outturn at 31st December (month 9) is a deficit of £7.4m against the revised break-even target. This shows a marginal deterioration from the forecast outturn at the end of November which was a deficit of £7.2m, a movement of £0.2m. The forecast position at the end of November included unidentified QiPP of £2,198k which had reduced to £391k unidentified QiPP at the end of December. This is to be delivered against acute services. This presentation is consistent with that used for the regional updates. If this unidentified QiPP gap is not closed then the forecast deficit will increase by the corresponding amount.</p>
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## Finance Report December 2017 (Month 9)

### FINANCE

#### Summary of Key Performance Indicators

Indicator	Year to Date				Forecast Outturn			
	Target £'000	Actual £'000	Variance £'000	RAG Rating	Target £'000	FOT £'000	Variance £'000	RAG Rating
Running costs do not exceed allocation					9,857	9,616	241	
Total expenditure does not exceed total allocation					560,595	568,059	(7,464)	
Running costs spend within plan	7,362	7,501	(139)		9,818	9,616	202	
Programme spend within plan	399,066	414,311	(15,245)		539,777	558,443	(18,666)	
Actual Surplus/(Deficit) is within revised break-even target	0	(7,130)	(7,130)		0	(7,464)	(7,464)	
Risk adjusted deficit					0	(7,464)	(7,464)	
QiPP delivery	17,118	13,029	(4,089)		25,531	19,064	(6,467)	
Better Payment Practice Code (Value)	95.0%	96.3%	5.0%		95.0%	94.0%	-1.0%	
Better Payment Practice Code (Number)	95.0%	95.1%	0.1%		95.0%	94.0%	-1.0%	
Cash drawdown does not exceed maximum cash drawdown	412,308	410,837	1,471		556,000	563,200	(7,200)	

#### 1.0 Key messages

NHS England (NHSE) has given the CCG a revised Control Total of break-even in year for 2017/18, but NHSE has also acknowledged the risks to delivering this revised Control Total.

The forecast outturn at 31st December (month 9) is a deficit of £7.5m against the revised break-even target. This shows a minor deterioration of £0.3m from the forecast outturn at the end of November which was a deficit of £7.2k, although indicative figures for month 10 shows this deterioration has been recovered. The forecast position at the end of November included unidentified QiPP savings of £2,198k and the forecast position at the end of December included unidentified QiPP of £391k both against acute services. This presentation is consistent with that used for the regional updates. If this unidentified QiPP gap is not closed then the forecast deficit will increase by the corresponding amount. The month on month reduction of £1,807k in unidentified QiPP is due to back-ended QiPP being included in the position against the relevant expenditure headings.

It is important to remember that included in the overall result is the cost of nationally driven prescribing cost pressure which is outside of the control of the CCG. At 31<sup>st</sup> December the cost of these prescribing cost pressures (included in the £7.5m deficit) was £3.0m which means that the underlying deficit is £4.5m. Since the Financial Recovery Plan presented to the region on 11<sup>th</sup> October 2017 which was based on the month 5 forecast outturn, the underlying deficit has remained broadly the same. This is more clearly illustrated in tabular form below:

Analysis of reported deficit	Month 5 £'000	Month 6 £'000	Month 7 £'000	Month 8 £'000	Month 9 £'000
<b>Deficit excluding national prescribing cost pressures</b>	(4,456)	(3,942)	(5,146)	(4,610)	(4,449)
National prescribing cost pressures	(1,007)	(1,474)	(2,069)	(2,588)	(3,015)
<b>Total Deficit</b>	<b>(5,463)</b>	<b>(5,416)</b>	<b>(7,215)</b>	<b>(7,198)</b>	<b>(7,464)</b>

The main risks are the over performance of Acute Contracts, landing £3.6m contract challenges included in the Acute forecast position, Mental Health expenditure, in particular Mental Health out of hospital aftercare (Section 117), Prescribing (national cost pressures) and risk of delivery of QiPP, see Appendix A.

It should be noted that we are currently undergoing a triangulation exercise with our key providers with the intention of reconciling the commissioners and providers views of the year end outturn position. If this exercise reveals any gaps that are not capable of resolution then this may impact on our current forecast position.

The performance for the month of December was a deficit against the plan of £2.4m of which £2.9m relates to Acute Service overspend. This means that for the rest of the budgets there was a net underspend of £0.5m. See Appendix B.

We have now received an email confirmation that the cash drawn will be adjusted in January in line with the previously revised Control Total of break even. This still leaves a cash risk of circa £7.2m and the CCG is in ongoing discussions with NHSE with the intention of drawing down an additional amount to cover the current deficit position.

## 2.0 Month 9 movements

The key in-month movements are:

Analysis of movement	£'000 (Over) /Under
<b>2.1 Acute Services</b>	
Luton & Dunstable	(1,184)
Acute Non NHS Providers	(221)
Non Contracted Activity (NCA)	(433)
Unaffordable contracts	(994)
Other	(104)
<b>Total</b>	<b>(2,936)</b>

The main reasons for the overspend is; Luton & Dunstable FT substantially driven by Non-elective activity £782k over, Acute Non NHS Providers due to Dermatology, NCA's historically spike in month 9 as providers catch-up with their invoicing in readiness for the year end and unaffordable contracts relate to the main acute contracts which were signed in December last year.

Analysis of movement	£'000 (Over) /Under
<b>2.2 Mental Health Services</b>	
Mental Health NHS - ELFT Main Block Contract	(412)
Mental Health Non NHS - BBC S117 Patient Recharges	(73)
Mental Health Non NHS - Other S117 Patient Recharges	(140)
Mental Health Non NHS - Other	367
Other	10
<b>Total</b>	<b>(248)</b>

The settlement on the Learning Disability Nurses dispute was paid to East London Foundation Trust (ELFT) unlike the original plan which assumed it would be paid direct to the Local Authorities. This accounts for the adverse variance on ELFT & the favourable variance on Non NHS Other.

The movement on Mental Health out of hospital aftercare (S117) reflects refinements to packages of care combined with new cases on a business as usual basis.

Analysis of movement	£'000 (Over) /Under
<b>2.3 Community Services</b>	
Community Services - Essex Partnership Universities Trust (EPUT)	(56)
Community Beds	(109)
Other	(1)
<b>Total</b>	<b>(166)</b>

The movement on EPUT relates to the introduction of new services, some ex Horizon, all of which are covered within the overall budget envelope. Community beds relates to an adjustment to the provision for the spot purchase of community beds.

Analysis of movement	£'000 (Over) /Under
<b>2.4 Continuing Care Services</b>	
Continuing Care	222
Mental Health Learning Disability	(70)
Other	(12)
<b>Total</b>	<b>140</b>

Continuing Care continues to underspend due to a combination of savings on new contracts and management of the cost of packages of care.

The Mental Health Learning Disability adverse variance is due to additional patients.

### 3.0 Year to Date variances (Appendix B)

The year to date position is a deficit of £7.1m. This reflects the continued issues as previously reported and continued in December.

### 4.0 Forecast Outturn variances (Appendix A)

The main movements in the forecast position since last month are:

Analysis of movement	£'000 (Over) /Under
<b>4.1 Acute Services</b>	
Bedford Hospital Trust	(1,115)
Luton & Dunstable Foundation Trust	(1,456)
Unidentified QiPP target	(1,807)
Other	1,209
<b>Total</b>	<b>(3,169)</b>

The movement in Bedford Hospital largely relates to a reassessment of challenges combined with an increase in Elective activity (£170k), Non-elective activity (£130k) and Excluded drugs (£147k). The adverse movement in Luton & Dunstable is also driven by a reassessment of outstanding challenges combined with an increase in Non-elective activity (£374k) and a rebasing of the Marginal Rate Emergency Tariff calculation (£439k).

The movement in unidentified QiPP is due to schemes now being allocated against the various cost centres. The favourable movement on 'Other' is driven by improvements in East & North Herts Trust and Cambridge Hospital.

Analysis of movement	£'000 (Over) /Under
<b>4.2 Community Health Services</b>	
Locality Community Services	(81)
Community Beds	(163)
Other	(30)
<b>Total</b>	<b>(274)</b>

The movement in Locality Community Services is due to the part year effect of new services being introduced and the increase in Community Beds is due to the spot purchase of community beds.

Analysis of movement	£'000 (Over) /Under
<b>4.3 Continuing Care Services</b>	
Continuing Healthcare (CHC)	1,120
Mental Health Learning Disability	(45)
Other	108
<b>Total</b>	<b>1,183</b>

The movement in CHC is driven by the ongoing good management of packages of care and the introduction of standard NHS contracts combined with the effect of a new QiPP scheme designed to recharge the Local Authorities with appropriate social care costs and a local CCG with a non-Bedfordshire patient.

Analysis of movement	£'000 (Over) /Under
<b>4.4 Primary Care Services</b>	
Primary Care Prescribing	(350)
Other	47
<b>Total</b>	<b>(303)</b>

The adverse movement on prescribing is due to the ongoing cost of the nationally driven cost pressure caused by No Cheaper Stock Obtainable which now stands at £3.0m in the forecast outturn position.

Analysis of movement	£'000 (Over) /Under
<b>4.5 Other Programme Services</b>	
Patient Transport	(250)
Better Care Fund	513
Non Recurrent 0.5% Reserve	256
Other	16
<b>Total</b>	<b>535</b>

The movement on Patient Transport reflects the costs of the transitional arrangements for October & November which have now been billed by the ambulance service. The favourable movement of the BCF reflects the surplus budget which can be released now that the final CCG contributions have been confirmed, whilst the Non Recurrent 0.5% Reserve has benefitted from lower contributions to the STP costs.

## 5.0 Risks & Mitigations

All quantifiable risks and mitigations are included within the reported forecast outturn. The main risks which remain to delivering the forecast outturn of are:

- Continued over-performance by the main acute trusts
- Failure to land the acute contract challenges included in position
- Non delivery of QiPP
- Nationally driven prescribing cost pressures
- Mental Health cost pressures particularly in relation to S117 costs

## 6.0 Underlying Position

The CCG is required to be able to demonstrate that the underpinning 'recurrent' position is in balance. (There is a risk that one-off benefits could be used to support a financial position, disguising an underlying deficit position.) As per below the CCG is still forecasting to deliver a recurrent surplus, albeit a small one, and therefore is still compliant with the requirement to demonstrate 'recurrent revenue balance'. Given the small surplus the situation needs to be closely monitored as the tolerance for any further deterioration is very limited.

Description	£'000
<b>Forecast Deficit at month 9</b>	<b>(7,464)</b>
Adjust for non-recurrent items in plan:	
Prior year & other non-recurrent items	5,242
No Cheaper Stock Concession	2,667
Full year effect of QiPP	1,560
Non Recurrent QiPP	(583)
Full year effect of investments	(1,339)
<b>Underlying Financial Position</b>	<b>83</b>

## 7.0 Debtors

	2016/17 Month 9 £	2017/18 Month 8 £	2017/18 Month 9 £	No.	%
30 days or less	2,247,100	1,631,383	6,411,971	58	64.0%
31 to 60 days	398,996	1,205,326	328,408	6	3.0%
61 to 90 days	319,407	215,703	1,184,256	8	12.0%
91 to 120 days	1,557,423	0	166,098	9	2.0%
121 days or more	2,104,489	2,062,511	1,909,996	42	19.0%
<b>Total</b>	<b>6,627,415</b>	<b>5,114,923</b>	<b>10,000,729</b>	<b>123</b>	<b>100.0%</b>

The CCG continues to actively manage its debtor position and that the majority of debtors lie within the public sector. The increase in debtors outstanding for 30 days or less from month 8 to month 9 is driven by increased quarterly billing.

## 8.0 Contracting & Activity

The main reasons for the movements in activity on contracts year to date are identified below:

POD	Total Budget Activity	Actual Activity	Variance Activity	Variance %
A&E	83,281	83,478	(197)	-0.24%
Elective/Day Case	29,564	31,221	(1,657)	-5.60%
Non-Elective	33,552	37,004	(3,452)	-10.29%
Outpatient First	62,229	64,956	(2,727)	-4.38%
Outpatient Follow-up	145,233	143,865	1,368	0.94%
Outpatient Procedures	55,010	52,094	2,916	5.30%
Outpatient Diagnostics	40,011	44,457	(4,446)	-11.11%
<b>Total</b>	<b>448,880</b>	<b>457,075</b>	<b>(8,195)</b>	<b>-1.83%</b>

Elective/ Day case over performance in mainly BHT and specifically Urology

Non Elective over performance is at BHT and L&D. Mainly general medicine at BHT and and General medicine, Geriatric medicine and General surgery at L&D.

Outpatient First over performance at BHT and L&D is partly offset by under-performance at other providers with Gynaecology and Paediatrics' being the largest specialties.

Outpatient diagnostics over performance is showing an increase across all providers and is being investigated for a change to counting and coding practise.

## 9.0 QiPP

The table below demonstrates that the QiPP position remains stable at month 9, with only a small £27k adverse movement in month.

The below table summarises the changes in the QiPP programme that support the stable QiPP position this month:

Source	Savings £'000				Variance (M8-M9)
	M6	M7	M8	M9	
<b>QIPP In Forecast (Table 1)</b>	16,800	16,264	18,895	19,064	169
<b>Riskier, Back-Ended QIPP (Table 2)</b>	2,200	3,642	1,168	1,807	639
<b>QIPP in Pipeline (Table 3)</b>	1,200	1,200	1,475	694	- 781
<b>Sub Total</b>	20,200	21,106	21,538	21,565	- 27

The headlines in month 9 include the addition of two new schemes, the downgrading of risk in nine schemes and the removal of three schemes. One of these new schemes, QIPP096 NEL Task Force, aims to reduce admissions for the frail and elderly from Care homes, Residential homes, Nursing homes and patient's own homes between January and March 2018.

The main mitigation for QIPP continues to be the Pipeline. The Financial Recovery Board continues to provide weekly overall direction for the QIPP programme and Pipeline, while the PMO will continue to drive the Pipeline forward, however the window of opportunity to identify, scope and deliver new schemes is rapidly shrinking.

Summary of Forecast position at 31 December 2017 (Month 9)

Appendix A

	Current Month - December			Previous Month - November			Movement		
	Annual Budget £'000	Forecast Outturn £'000	Variance FY £'000	Annual Budget £'000	Forecast Outturn £'000	Variance FY £'000	Annual Budget £'000	Forecast Outturn £'000	Variance FY £'000
<b>Income</b>									
Recurrent Resource Allocation	(548,261)	(548,261)	0	(548,261)	(548,261)	0	0	0	0
Running Cost Allowance	(9,857)	(9,857)	0	(9,857)	(9,857)	0	0	0	0
Deficit brought forward	48,725	48,725	0	48,725	48,725	0	0	0	0
Others	(2,477)	(2,477)	0	296	296	0	(2,773)	(2,773)	0
<b>Total Income</b>	<b>(511,870)</b>	<b>(511,870)</b>	<b>0</b>	<b>(509,097)</b>	<b>(509,097)</b>	<b>0</b>	<b>(2,773)</b>	<b>(2,773)</b>	<b>0</b>
<b>Expenditure</b>									
Acute Services	301,126	321,646	(20,520)	301,127	318,478	(17,351)	(0)	3,168	(3,169)
Mental Health Services	55,555	58,020	(2,465)	55,555	58,085	(2,530)	0	(65)	65
Community Health Services	38,697	37,873	824	38,697	37,599	1,098	0	274	(274)
Continuing Care Services	39,395	36,817	2,578	39,395	37,999	1,396	0	(1,182)	1,182
Primary Care Services	71,496	73,592	(2,095)	71,496	73,289	(1,792)	0	303	(303)
Other Program Services	19,116	19,077	39	19,116	19,612	(496)	0	(535)	535
<b>TOTAL EXPENDITURE BEFORE APPLICATION OF RESERVES</b>	<b>525,386</b>	<b>547,024</b>	<b>(21,639)</b>	<b>525,386</b>	<b>545,062</b>	<b>(19,675)</b>	<b>(0)</b>	<b>1,963</b>	<b>(1,963)</b>
<b>Reserves</b>									
Non Recurrent Headroom (must be held as uncommitted)	2,741	2,741	0	2,741	2,741	0	0	0	0
Contingency Reserve	2,741	0	2,741	2,741	0	2,741	0	0	0
CQUIN Reserve	1,545	1,545	0	1,545	1,545	0	0	0	0
Investment Reserves (Held until PID Approved)	4,077	738	3,339	4,077	738	3,339	(0)	(0)	0
Allocations held in reserves	3,287	2,258	1,029	514	735	(221)	2,773	1,523	1,250
Prior Year - Top 6 Acutes	0	4,137	(4,137)	0	4,137	(4,137)	0	0	0
Sub Total	14,391	11,419	2,972	11,618	9,896	1,722	2,773	1,523	1,250
<b>TOTAL PROGRAMME EXPENDITURE AFTER APPLICATION OF RESERVES</b>	<b>539,777</b>	<b>558,443</b>	<b>(18,666)</b>	<b>537,004</b>	<b>554,958</b>	<b>(17,953)</b>	<b>2,773</b>	<b>3,485</b>	<b>(713)</b>
Running Costs	9,818	9,616	202	9,818	10,062	(244)	0	(446)	446
<b>SURPLUS/(DEFICIT)</b>	<b>(37,725)</b>	<b>(56,189)</b>	<b>(18,464)</b>	<b>(37,725)</b>	<b>(55,923)</b>	<b>(18,197)</b>	<b>0</b>	<b>(266)</b>	<b>(266)</b>
<b>IN YEAR SURPLUS/(DEFICIT)</b>	<b>11,000</b>	<b>(7,464)</b>	<b>(18,464)</b>	<b>11,000</b>	<b>(7,198)</b>	<b>(18,197)</b>	<b>0</b>	<b>(266)</b>	<b>(266)</b>

Summary of in-month & YTD financial position at 31 December 2017 (Month 9)

	Current Month - December			Previous Month - November			Appendix B Movement - (in month position)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
	YTD £'000	YTD £'000	YTD £'000	YTD £'000	YTD £'000	YTD £'000	YTD £'000	YTD £'000	YTD £'000
<b>Income</b>									
Recurrent Resource Allocation	(405,431)	(405,431)	0	(362,793)	(362,793)	0	(42,638)	(42,638)	0
Running Cost Allowance	(7,393)	(7,393)	0	(6,571)	(6,571)	0	(821)	(821)	0
Deficit brought forward	36,544	36,544	0	32,483	32,483	0	4,060	4,060	0
Others	(1,858)	(1,858)	0	197	197	0	(2,055)	(2,055)	0
<b>Total Income</b>	<b>(378,138)</b>	<b>(378,138)</b>	<b>0</b>	<b>(336,684)</b>	<b>(336,684)</b>	<b>0</b>	<b>(41,454)</b>	<b>(41,454)</b>	<b>0</b>
<b>Expenditure</b>									
Acute Services	225,134	240,549	(15,415)	200,549	213,028	(12,479)	24,585	27,521	(2,936)
Mental Health Services	41,666	44,117	(2,450)	37,037	39,239	(2,203)	4,630	4,877	(248)
Community Health Services	28,995	28,352	643	25,761	24,952	809	3,234	3,400	(166)
Continuing Care Services	29,618	27,813	1,805	26,358	24,693	1,665	3,259	3,120	140
Primary Care Services	53,737	55,141	(1,404)	47,816	49,122	(1,306)	5,920	6,019	(98)
Other Program Services	14,109	14,135	(26)	12,744	12,746	(2)	1,365	1,388	(24)
<b>TOTAL EXPENDITURE BEFORE APPLICATION OF RESERVES</b>	<b>393,258</b>	<b>410,106</b>	<b>(16,848)</b>	<b>350,265</b>	<b>363,781</b>	<b>(13,516)</b>	<b>42,993</b>	<b>46,325</b>	<b>(3,332)</b>
<b>Reserves</b>									
Non Recurrent Headroom (must be held as uncommitted)	(0)	0	(0)	(0)	0	(0)	(0)	0	(0)
Contingency Reserve	2,741	0	2,741	2,741	0	2,741	0	0	0
CQUIN Reserve	0	0	0	0	0	0	0	0	0
Investment Reserves (Held until PID Approved)	3,068	68	3,000	2,280	68	2,212	787	0	787
Allocations held in reserves	0	0	0	0	0	0	0	0	0
Prior Year - Top 6 Acutes	0	4,137	(4,137)	0	4,137	(4,137)	0	0	0
Sub Total	5,809	4,205	1,604	5,021	4,205	816	787	0	787
<b>TOTAL PROGRAMME EXPENDITURE AFTER APPLICATION OF RESERVES</b>	<b>399,066</b>	<b>414,311</b>	<b>(15,244)</b>	<b>355,287</b>	<b>367,986</b>	<b>(12,699)</b>	<b>43,780</b>	<b>46,325</b>	<b>(2,545)</b>
Running Costs	7,362	7,501	(139)	6,544	6,845	(302)	818	656	162
<b>SURPLUS/(DEFICIT)</b>	<b>(28,290)</b>	<b>(43,674)</b>	<b>(15,384)</b>	<b>(25,146)</b>	<b>(38,147)</b>	<b>(13,001)</b>	<b>(3,144)</b>	<b>(5,526)</b>	<b>(2,383)</b>
<b>IN YEAR SURPLUS/(DEFICIT)</b>	<b>8,254</b>	<b>(7,130)</b>	<b>(15,384)</b>	<b>7,337</b>	<b>(5,664)</b>	<b>(13,001)</b>	<b>917</b>	<b>(1,466)</b>	<b>(2,383)</b>