

Agenda Item: 15

<p style="font-size: 1.2em; font-weight: bold;"><i>Governing Body</i></p> <p style="font-size: 1.2em; font-weight: bold;"><i>held in public</i></p>	<p style="font-size: 1.5em; font-weight: bold;"><i>Finance Report</i></p> <p>Date of Meeting: 19th September 2019</p>
---	---

<b>Report Title</b>	<b>Finance Report as at 31<sup>st</sup> July 2019 (Month 4)</b>		
<b>Report Author</b>	<b>Presented By</b>	<b>Responsible Director</b>	
Roger Hammond, Malcolm Miller, Mark Lisher, Deputy Chief Finance Officers	Chris Ford Chief Finance Officer	Chris Ford  Signature:	
<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>	<ol style="list-style-type: none"> <li>1. To note and discuss the financial position at month 4 and that whilst the CCG is currently reporting to achieve the 2019/20 financial plan as agreed with NHSE, there is some inherent risk to delivering that position. This is reflected in the financial scenarios set out in the report</li> <li>2. To note the summary of Key Performance Indicators at the beginning of the finance report which provides a quick overview of financial performance.</li> </ol>		
<b>Approval Route:</b>	Recommendation from the Finance and Performance Committee to the Governing Body		
<b>Further Assurance:</b>	N/A		
<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>	<p>As at month 4:</p> <ul style="list-style-type: none"> <li>• The latest data from providers continues to suggest that activity pressures are emerging to the level and extent that this poses a significant risk to the CCG financial position going forward.</li> <li>• Acute services forecast shows a £13m overspend having anticipated securing £8m of the £9m as yet unidentified savings plans (£4m system affordability and £5m ICS stretch target).</li> <li>• Other service areas are forecasting a net £2m overspend.</li> <li>• The CCG set aside £3.1m contingency to manage risks as they materialise which has been fully released into the forecast position.</li> <li>• The forecast also anticipates a further £2.4m benefit through slippage on investments and prior year benefits.</li> <li>• Consequently, the CCG needs to identify an additional £9-£10m of savings by the year end as well as covering the £4m system affordability gap.</li> <li>• Overall, the CCG has assessed a net £5m risk against achieving its control total.</li> </ul>		
<b>Executive Summary</b>	<p>The 2019/20 financial plan agreed with NHS England (NHSE) requires the CCG to achieve an in-year £11.1m surplus.</p> <p>Acute sector data in particular is indicating a significant pressure emerging which if it continues will put the financial control total at considerable risk. Other service areas overall are forecast to be marginally overspent. Contingency and other benefits bring the net position to as shown.</p> <p>Month 4 financial return to NHSE shows a net £4.7m negative variance year to date (a £1m in year deficit year to date) which is then recovered as the year progresses. The CCG is indicating reaching its planned forecast control total having recognised the need to make savings amounting to £13 - £14m.</p> <p>NHSE has requested that the CCG prepares a financial recovery plan (FRP) and internal mechanisms have been established to prepare, deliver and monitor against the FRP.</p> <p>Initial FRP plan has listed potential opportunities for £9.3m savings. These are being validated.</p>		

## Finance Report July 2019 (Month 4)

### FINANCE

#### Summary of Key Performance Indicators

Indicator	Year to Date Month 4				Forecast Outturn			
	Target £'000	Actual £'000	Variance £'000	RAG Rating	Target £'000	Forecast £'000	Variance £'000	RAG Rating
Running costs do not exceed allocation					9,908	9,736	172	
Total expenditure does not exceed total allocation					682,359	671,259	11,100	
Running costs spend within plan	3,521	3,408	113		9,844	9,736	108	
Programme spend within plan	220,900	225,660	(4,760)		661,415	661,523	(108)	
Actual In-Year Surplus/(Deficit)	3,700	(947)	(4,647)		11,100	11,100	0	
Risk adjusted In-Year Surplus/(Deficit)					11,100	6,100	(5,000)	
QiPP delivery (Gross)	9,556	8,920	(636)		35,259	26,902	(8,357)	
Better Payment Practice Code (Value)	95.0%	97.0%	2.0%		95.0%	97.0%	2.0%	
Better Payment Practice Code (Number)	95.0%	98.0%	3.0%		95.0%	97.0%	2.0%	
Cash drawdown does not exceed maximum cash drawdown	223,405	221,052	2,353		670,215	670,215	0	

#### 1.0 Key messages

The annual plan agreed with NHSE is to achieve an in-year surplus position of £11.1m which comprises a 1% annual surplus (£6.1m as per NHSE business rules) together with a further £5m stretch target. The additional £5m savings target was notified in May 2019 and whilst this is an Integrated Care System (ICS) requirement, the £5m is reflected in Bedfordshire CCG's control total. Plans are being developed to ensure that the £5m is secured and delivered across all ICS partner organisations.

At month 4, the CCG is reporting a £1m in-year deficit (£4.7m behind plan and a £1m deterioration from last month). However, the CCG has indicated achieving its control total after assuming:

- Securing £8m of the £9m system affordability and ICS stretch target gap
- Delivering current identified QiPP schemes
- Identifying a further £9-£10m savings via financial recovery planning

The £4.7m year-to date variance is primarily driven by acute services overspend (£6.3m including £1.3m slippage on system affordability savings). Pressures are also emerging in mental health and community services. The position is offset by slippage on investments, prior year benefits, primary care and release of contingency. Delivery against the £5m ICS saving requirement is not profiled until later in the year given the late notification and need to establish clear plans across ICS partners.

There continues to be issues with the quality of Bedford Hospital's SLAM data. The A&E case mix continues to be understated in the flex file as the Trust is behind with A&E coding. Attendances are being costed at the lowest priced HRG at flex then being moved to the relevant HRG at freeze. A provision for this has been made in the CCG's month 4 accounts. In addition to this, the Trust has omitted 213 spells from the month 3 flex file. The CCG was only made aware of this after the

ledger and month 4 reporting had closed. Both these issues will be formally raised with the Trust at the next FIG meeting and any impact on the CCG's forecast will be reflected in month 5 accounts.

Year to date, the CCG is reporting a variance against the top 6 acute providers of £5.8m of which £4.3m is against Non Elective PODs. There are considerable overspends with Bedford Hospital, The Luton & Dunstable, Milton Keynes Hospital and East & North Herts Trust.

The underlying forecast for the top 6 acute providers based on month 3 data is an overspend of £19.1m. This is brought down to £14.7m when adjusted for anticipated QIPP savings not in the year to date run-rate.

The cash and debtor positions are not giving any cause for concern at present.

## 2.0 Month 4 year to date

Summary ytd positions are shown at Appendix 1a.

The key in month movements are;

### 2.1 Acute

Analysis of movement	£'000 (Over) /Under
<b>2.1 Acute Services</b>	
Bedford Hospital	(2,716)
Luton & Dunstable	(1,868)
East & Noth Herts Trust	(579)
Milton Keynes Hospital	(641)
Other Top 6 Providers	16
Other Acute NHS Providers	853
Acute Non NHS Providers	(60)
East of England Ambulance Service	2
MSK - circle	27
System Affordability Gap	(1,355)
QiPP Enabling Investments	7
<b>Total</b>	<b>(6,314)</b>

The overall position on acute services has worsened by £1.2m since the previous months report due to a continuation of the over performance seen in month 3 data. While the run-rate on Bedford Hospital appears to have slowed, this is prior to any correction for the spells missed in its month 3 flex file.

£4.3m of the £5.8m variance on the top 6 providers is on Non Elective PODS. The top HRG sub-chapters with Non Elective over performance continue to be respiratory, cardiology, nervous

system and renal but we are also seeing significant over performance on the WH sub-chapter which is predominantly falls, admissions related to social factors and infections or other complications of procedures.

The blended tariff threshold has been exceeded at all trusts where it applies. Both Bedford and the Luton and Dunstable have exceeded the 0-0.5% buffer (payable at a 20% marginal rate) and any over performance above 0.5% is therefore being paid for at full tariff.

## 2.2 Other Non-Acute Areas

Analysis of variance - Other areas	£'000 (Over) /Under
Mental Health	(910)
Community Health	(517)
Continuing Healthcare	257
Delegated Primary Care	71
Primary Care	519
Other program services	(297)
Running Cost Allowance	113
<b>Total</b>	<b>(764)</b>

As set out above, non-acute areas overall are showing a net overspend of £764k (1%) against an overall £103m spend to month 4. This level is similar to last month.

- Mental Health – overspend increased by £249k in month, primarily S117 packages which can fluctuate from month to month and vary in cost.
- Community Health Services: overspend deteriorated by £181k in month thought increased Acquired Brain Injury (small volume but high cost activity) and spot purchasing of community beds.
- Continuing Healthcare – marginally improved by £54k and reflects current underspending per month.
- Delegated Primary Care – Improved by £161k in month as a result of additional allocation received that had already been budgeted for.
- Primary Care: improved by £165k for reduced Out of Hours overspend. Underspend year to date reflects continued monthly underspend on prescribing expenditure.
- Other Programme Costs: deteriorated by £55k which reflects continued monthly overspend on additional patient transport costs to support current provision and Individual Funding Requests. .
- Running cost allowance; slippage on vacancies.

## 3.0 Forecast Outturn variances

A more detailed breakout of the forecast position by service area is set out in appendix 2a with an expectation that, overall, the outturn planned position will be achieved. The key in month movements are set out below;

### 3.1 Acute

Analysis of movement	£'000 (Over) /Under
<b>4.1 Acute Services</b>	
Bedford Hospital Trust	(7,011)
Luton & Dunstable FT	(4,943)
East & North Herts Trust	(1,401)
Milton Keynes Hospital	(1,762)
Other top 6	368
MSK Circle	0
Other Acute NHS providers	2,557
Other acute	24
System Affordability gap	(1,016)
<b>Total</b>	<b>(13,184)</b>

The forecast for Acute Services based on month 3 data is broadly in line with month 3 reporting. Overall there is an adverse forecast movement of £57K. However this assumes that £3m of the £4m affordability gap can be secured.

As in month 3, the forecast for the top 6 acute trusts is based on the following methodology and assumptions:

- Extrapolate year to date SLAM data based on calendar days, working days or 12ths depending on POD.
- An adjustment has been made to the above calculation in 2019/20 which takes a day from both August and December and moves them to March, this will mitigate against swings in the forecast following the two months which tend to have less activity.
- An adjustment is made for risk adjusted QIPP not in the year to date run-rate, at month 4 this was £3.9m.

As with the year to date position, the main driver is non elective over-performance.

Under performance on other NHS providers has been extrapolated to month 12. Some of these contracts can be quite volatile so there is a risk that current trends may not continue for the remainder of the year.

### 3.3 Other Areas

Analysis of variance - Other areas	£'000 (Over) /Under
Mental Health	(1,932)
Community Health	(1,211)
Continuing Healthcare	536
Delegated Primary Care	381
Primary Care	335
Other program services	(458)
Running Cost Allowance	107
<b>Total</b>	<b>(2,242)</b>

Non-acute areas are collectively forecast at £2,242k (0.7%) over against an overall £310m budget allocation. This represents a deterioration of £647k from last month's forecast position.

- Mental Health – assumed continuation of year to date expenditure levels (particularly S117 packages) abated for saving plans phased to later months.
- Community Health Services: continuation of overspend seen year to date.
- Continuing Healthcare – first four months' underspend assumed to continue mitigated for anticipated increased activity in future periods.
- Delegated Primary Care – underspend reflects the additional allocation received.
- Primary Care: forecast has deteriorated by £1.4m having reflected a notified national £1.5m cost pressure for no-cheaper drug stock option that will emerge later in the year.
- Other Programme Costs: forecast position is similar to last month.
- Running cost allowance; slippage on pay.

### 4.0 Risks and Opportunities

Month 4 ytd and forecast reflect the emerging activity pressures and anticipated QiPP delivery along with the potential for continuing underspends elsewhere. There does continue to be a risk that expenditure patterns do subsequently deviate from expectations and if so are not captured in the current forecast position.

Risks and opportunities that become certain are included in the financial position and forecast going forward. Potential emerging risks and opportunities are not reflected in the financial position until they become certain but will be quantified and reported going forward. The CCG is then fully aware of the factors that may subsequently influence achieving its financial plan. The table below attempts to summarise those main risks and opportunities not yet reflected in the reported forecast.

Risks	£m	Opportunities	£m
Acute: Run rates on contracts outstrip current assumptions. Volatility across some high cost areas e.g. critical care, winter beds and other pressures etc.	£2.0	General underspends and slippage across various areas, close monitoring of budget lines.	£1.0
Non-Acute: in particular mental health activity may increase above current forecast levels.	£0.5	Prior Year: further potential opportunities around prior year and closing 18/19 contract positions.	£1.0
Affordability Gap and ICS stretch target slips from current £8m delivery	£1.0	Further slippage on investments, new QIPP schemes and in-year allocations	£1.0
Financial Recovery Plan does not secure all the additional £9-£10m savings required	£4.5		
<b>Total</b>	<b>£8.0</b>	<b>Total</b>	<b>£3.0</b>

The risk is currently assessed as being £8m mitigated by opportunities. It should be noted that reserves have been fully released to support the forecast position. Focus is concentrated on managing risks down and endeavouring to maintain underspending areas without a detrimental impact on patients and service delivery. The anticipated worst case forecast, should all risks materialise and mitigations fail, would be for the CCG to achieve a £3.1m in-year surplus, £8m lower than the financial planned target.

## 5.0 Debtors

	2018/19 Month 4 £	2019/20			
		Month 3 £	Month 4 £	No.	% (Value)
30 days or less	2,330,678	2,713,962	1,824,931	104	44%
31 to 60 days	(-48,593)	331,364	1,132,101	30	27%
61 to 90 days	1,978,948	365,493	-233	4	0%
91 to 120 days	278,895	37,127	354,050	21	8%
121 days or more	589,467	1,156,155	874,346	66	21%
<b>Total</b>	<b>5,129,395</b>	<b>4,604,100</b>	<b>4,185,195</b>	<b>225</b>	<b>100.0%</b>

Overall debtors have decreased from month 3 and remain lower than the same period last year.

Aged debtors > 121 days have decreased from last month. Aged debts continue to be pursued.

## 6.0 QiPP 2018/19

The summary QiPP position at month 4 is listed below:

	Year to Date			Forecast		
	Plan £000	Actual £000	Variance £000	Plan £000	Forecast £000	Variance £000
Original Schemes	8,199	8,920	721	26,189	26,902	713
Affordability Gap	1,357	0	(1,357)	4,070	0	(4,070)
Stretch	0	0	0	5,000	0	(5,000)
	9,556	8,920	(636)	35,259	26,902	(8,357)

Given plans have yet to be developed and approved to address the additional £9m, QiPP reporting reflects this as nil achieved. The financial forecast currently assumes that £8m will be secured and is included within the CCG's overall forecast. QiPP scheme implementation is reviewed by the QiPP control group and the Financial Recovery Board.

## 7.0 Underlying Position

The table below sets out the underlying position for the CCG. This adjusts the forecast surplus for the year for non-recurring items. In order to test the robustness of the CCG's underlying position it has been based on the forecast outturn position, a surplus of £11.1m. After making these adjustments the CCG is delivering a balanced position on a recurrent basis.

### Underlying Position 30st July 2019 (Month 4)

Description	£'000
<b>Forecast Surplus 2019/20</b>	<b>11,100</b>
Adjustments:	
Prior year items	(733)
Adjustment to reflect non recurrent mitigations in financial recovery plan under development.	(9,500)
Non Recurrent Allocations	(749)
Other	53
<b>Underlying Financial Position</b>	<b>171</b>

Based on the forecast outturn position, the CCG's underlying position is effectively breakeven of a £682m annual budget.

--00000--

Appendix 1a

Summary of YTD financial position at 31st July 2019 (Month 4)

	Current Month - July			Previous Month - June			Movement - (in month position)		
	Budget YTD £'000	Actual YTD £'000	Variance YTD £'000	Budget YTD £'000	Actual YTD £'000	Variance YTD £'000	Budget YTD £'000	Actual YTD £'000	Variance YTD £'000
<b>Income</b>									
Recurrent Resource Allocation	(203,366)	(203,366)	0	(151,985)	(151,985)	0	(51,381)	(51,381)	0
Running Cost Allowance	(3,442)	(3,442)	0	(2,608)	(2,608)	0	(834)	(834)	0
Delegated Primary Care Allocation	(21,313)	(21,313)	0	(14,820)	(14,820)	0	(6,493)	(6,493)	0
Deficit brought forward	14,163	14,163	0	10,622	10,622	0	3,541	3,541	0
Others	0	0	0	0	0	0	0	0	0
<b>Total Income</b>	<b>(213,958)</b>	<b>(213,958)</b>	<b>0</b>	<b>(158,791)</b>	<b>(158,791)</b>	<b>0</b>	<b>(55,167)</b>	<b>(55,167)</b>	<b>0</b>
<b>Expenditure - CCG Program Allocation</b>									
Acute Services	120,149	126,464	(6,314)	89,140	94,249	(5,109)	31,009	32,215	(1,206)
Mental Health Services	20,090	21,000	(910)	15,046	15,707	(661)	5,044	5,293	(249)
Community Health Services	14,490	15,007	(517)	10,875	11,211	(336)	3,615	3,796	(181)
Continuing Care Services	12,123	11,866	257	9,068	8,865	203	3,055	3,001	54
Primary Care Services	25,520	25,001	519	19,129	18,775	354	6,390	6,225	165
Other Program Services	6,528	6,825	(297)	4,892	5,134	(241)	1,636	1,692	(55)
<b>TOTAL EXPENDITURE BEFORE APPLICATION OF RESERVES</b>	<b>198,900</b>	<b>206,162</b>	<b>(7,262)</b>	<b>148,150</b>	<b>153,940</b>	<b>(5,790)</b>	<b>50,750</b>	<b>52,222</b>	<b>(1,472)</b>
<b>Reserves</b>									
Contingency Reserve	1,029	0	1,029	771	0	771	258	0	258
Investment Reserves (Held until PID Approved)	546	0	546	496	0	496	50	0	50
Allocations held in reserves	27	0	27	312	0	312	(285)	0	(285)
Prior Year	0	(829)	829	0	(724)	724	0	(105)	105
Sub Total	1,602	(829)	2,431	1,579	(724)	2,303	23	(105)	128
<b>TOTAL PROGRAMME EXPENDITURE AFTER APPLICATION OF RESERVES</b>	<b>200,502</b>	<b>205,333</b>	<b>(4,831)</b>	<b>149,729</b>	<b>153,215</b>	<b>(3,487)</b>	<b>50,773</b>	<b>52,118</b>	<b>(1,345)</b>
<b>Delegated Primary Care Budget</b>	20,398	20,327	71	14,412	14,503	(91)	5,986	5,824	163
<b>Running Costs</b>	3,521	3,408	113	2,497	2,502	(4)	1,024	906	117
<b>SURPLUS/(DEFICIT)</b>	<b>(10,463)</b>	<b>(15,110)</b>	<b>(4,647)</b>	<b>(7,847)</b>	<b>(11,430)</b>	<b>(3,582)</b>	<b>(2,616)</b>	<b>(3,680)</b>	<b>(1,064)</b>
<b>IN YEAR SURPLUS/(DEFICIT)</b>	<b>3,700</b>	<b>(947)</b>	<b>(4,647)</b>	<b>2,775</b>	<b>(807)</b>	<b>(3,582)</b>	<b>925</b>	<b>(139)</b>	<b>(1,064)</b>

Summary Forecast Position at 31st July 2019 (Month 4)

	Current Month - July			Previous Month - June			Movement - (in month position)		
	Annual Budget £'000	Forecast Outturn £'000	Variance YTD £'000	Annual Budget £'000	Forecast Outturn £'000	Variance YTD £'000	Annual Budget £'000	Actual YTD £'000	Variance YTD £'000
<b>Income</b>									
Recurrent Resource Allocation	(606,682)	(606,682)	0	(608,503)	(608,503)	0	1,821	1,821	0
Running Cost Allowance	(9,908)	(9,908)	0	(9,908)	(9,908)	0	0	0	0
Delegated Primary Care Allocation	(63,541)	(63,541)	0	(61,680)	(61,680)	0	(1,861)	(1,861)	0
Deficit brought forward	42,490	42,490	0	42,490	42,490	0	0	0	0
Others	(2,228)	(2,228)	0	(2,228)	(2,228)	0	0	0	0
<b>Total Income</b>	<b>(639,869)</b>	<b>(639,869)</b>	<b>0</b>	<b>(639,829)</b>	<b>(639,829)</b>	<b>0</b>	<b>(40)</b>	<b>(40)</b>	<b>0</b>
<b>Expenditure - CCG Program Allocation</b>									
Acute Services	355,369	368,553	(13,184)	355,300	368,610	(13,310)	69	(57)	126
Mental Health Services	60,445	62,377	(1,932)	60,445	62,637	(2,192)	0	(260)	260
Community Health Services	43,139	44,350	(1,211)	43,059	44,108	(1,048)	80	242	(162)
Continuing Care Services	36,566	36,030	536	36,566	36,018	548	0	12	(12)
Primary Care Services	76,559	76,224	335	76,518	74,753	1,765	41	1,471	(1,430)
Other Program Services	19,590	20,048	(458)	19,569	19,997	(429)	21	50	(29)
<b>TOTAL EXPENDITURE BEFORE APPLICATION OF RESERVES</b>	<b>591,668</b>	<b>607,582</b>	<b>(15,914)</b>	<b>591,457</b>	<b>606,123</b>	<b>(14,666)</b>	<b>210</b>	<b>1,458</b>	<b>(1,248)</b>
<b>Reserves</b>									
Contingency Reserve	3,083	0	3,083	3,083	0	3,083	0	0	0
Investment Reserves (Held until PID Approved)	3,428	1,666	1,762	3,970	2,728	1,242	(542)	(1,062)	520
Allocations held in reserves	(305)	369	(674)	608	1,055	(447)	(913)	(686)	(227)
Prior Year	0	(1,282)	1,282	0	(1,233)	1,233	0	(49)	49
Sub Total	6,207	753	5,453	7,662	2,550	5,111	(1,455)	(1,797)	342
<b>TOTAL PROGRAMME EXPENDITURE AFTER APPLICATION OF RESERVES</b>	<b>597,874</b>	<b>608,335</b>	<b>(10,461)</b>	<b>599,119</b>	<b>608,674</b>	<b>(9,555)</b>	<b>(1,245)</b>	<b>(339)</b>	<b>(906)</b>
<b>Delegated Primary Care Budget</b>	63,541	63,160	381	62,792	62,904	(112)	749	256	493
<b>Running Costs</b>	9,844	9,736	107	9,308	9,309	(1)	536	427	108
<b>Financial Recovery Plan to be developed</b>	0	(9,972)	9,972	0	(9,667)	9,667	0	(305)	305
<b>SURPLUS/(DEFICIT)</b>	<b>(31,390)</b>	<b>(31,390)</b>	<b>0</b>	<b>(31,390)</b>	<b>(31,390)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>
<b>IN YEAR SURPLUS/(DEFICIT)</b>	<b>11,100</b>	<b>11,100</b>	<b>0</b>	<b>11,100</b>	<b>11,100</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>0</b>