

Report To:	Governing Body Meetings in Common
Report Title:	Finance & Contracting Report – Month 8
Report From:	Clare Hollingworth, Chief Finance Officer
Date:	24 th January 2019
Previously Considered by:	Finance and Performance Committee, 27 th December 2018

Action Required*(delete as appropriate)*

Decision:		Assurance:	✓	Information:	✓	Confidential	
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Purpose of the Report:

To advise Members of the financial position of the CCG up to 30th November 2018 (Month 8– 2018/19) to advise of any other financial issues likely to impact in the current financial year.

Key Points:

Anticipating the success of contractual challenges, the CCG continues to report continues to report an overall balanced position for Month 8 in line with the Plan agreed with NHS England (NHSE). If achieved, this then maintains the required 1.0% cumulative surplus of £6.0m to be carried forward into 2019/20.

The key points to note are:

- At the time of reporting, un-validated month 7 monitoring data is available and Month 1-7 challenges have been raised with University Hospitals Coventry and Warwickshire (UHCW) and are being taken through the appropriate contractual processes. In order to secure a final resolution, the CCG is discussing further escalation with NHSE.
- There is significant over-performance across the Acute portfolio. Whilst activity is in line with Plan, the cost of Emergency activity at UHCW is £2.9m above Plan at M8. There is also £1.8m of Day Case over-performance at UHCW at Month 8 due to more expensive case mix. Independent Sector is above plan relating to Trauma & Orthopaedic activity. The contracts with South Warwickshire Foundation Trust (SWFT), West Midlands Ambulance Service (WMAS), Royal Orthopaedic Hospital and Birmingham Children's are all over-performing. The reported Acute forecast (£12.4m over) assumes the CCG will benefit from £7.5m of successful contract challenges. The continued risk in relation to this must be acknowledged.
- The Prescribing forecast overspend (£1.4m) has reduced slightly from Month 7 and continues to be driven by national NCSO ('no cheaper stock obtainable') and Category M cost pressures (£1.8m).
- The over-spend on Individual Packages is driven by QIPP under-achievement (a failure to contain growth) and pressure on average costs of packages.
- QIPP is forecasting 50% achievement before application of reserves and 95% in total. Despite schemes having been risk assessed at the start of the year and the anticipated impact phased in line with delivery milestones, there has been significant in-year slippage influenced by a range of factors including Provider engagement.
- 38% of 0.5% contingency has been utilised to secure the reported year end position, leaving £1.9m remaining. This is an improved position compared to previous months and has been achieved through the identification of alternative budget flexibilities.

- A significant under-spend of almost £1.0m is forecast for Running costs.
- Achievement of the forecast position would enable the CCG to exit 2018/19 with an underlying surplus of £0.5m. Any additional non-recurrent action needed to secure the in-year position will result in a worsening of the underlying position.
- It was agreed by Finance and Performance Committee that Acute contract over-performance, the Continuing Healthcare (CHC) over-spend and the QIPP risk continue to be highlighted to the Governing Body as the key issues to be addressed.
- The Finance and Performance Committee also wished to ensure that the Governing Body was sighted on the risk that contract challenges might not be successful and the impact this would have on the CCG's out-turn position.

Recommendation:

The Members of the Governing Body are asked to:

- **NOTE** that an overall balanced position is reported at Month 8 but with a significant reliance on securing contractual challenges; and
- **NOTE** the areas being escalated to the Governing Body.

Implications

Objective(s) / Plans supported by this report:	QIPP Programme Delivery, Financial Plan Delivery					
Conflicts of Interest:	Not applicable					
Financial:	Non-Recurrent Expenditure:	Expenditure higher than planned for many budget areas.				
	Recurrent Expenditure:					
	Is this expenditure included within the CCG's Financial Plan? (Delete as appropriate)	Yes	✓	No		N/A
Performance:	Delivery of QIPP supports the assurance and financial performance of the organisation. Risk to the statutory duty to meet control total.					
Quality and Safety:	Not directly applicable					
Equality and Diversity:	General Statement: The CCG is committed to fulfil its obligations under the Equality Act 2010, and to ensure services commissioned by the CCG are non-discriminatory on the grounds of any protected characteristics. Policies/decisions may need to be adjusted in line with any equality analysis or due regard. Any decision that is finalised without being influenced by appropriate due regard could be deemed unlawful.					
	Has an equality impact assessment been undertaken? (Delete as appropriate)	Yes (attached)		No		N/A ✓
Patient and Public Engagement:	Not applicable					
Clinical Engagement:	Clinical engagement imperative to the efficient deployment of NHS resources and successful delivery of service redesign.					
Risk and Assurance:	HIGH – significant risk that if contract challenges are not successful the CCG will not be able to deliver its agreed Plan and control total. Detailed within the Corporate Risk register and the Assurance Framework					

Finance and Contract Report Month 8

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1. Executive Summary



1.1 Headlines

Anticipating the success of contractual challenges, the CCG continues to report an overall balanced position for Month 8 in line with the Plan agreed with NHS England. If achieved, this then maintains the required 1.0% cumulative surplus of £6.0m to be carried forward into 2019/20.

The key points to note are:

- At the time of reporting, un-validated month 7 monitoring data is available and Month 1-7 challenges have been raised with UHCW and are being taken through the appropriate contractual processes. In order to secure a final resolution, the CCG is discussing further escalation with NHSE.
- There is significant over-performance across the Acute portfolio. Whilst activity is in line with Plan, the cost of Emergency activity at UHCW is £2.9m above Plan at M8. There is also £1.8m of Day Case over-performance at UHCW at M8 due to more expensive case mix. Independent Sector is above plan relating to Trauma & Orthopaedic activity. The contracts with SWFT, WMAS, Royal Orthopaedic Hospital and Birmingham Childrens are all over-performing. The reported Acute forecast (£12.4m over) assumes the CCG will benefit from £7.5m of successful contract challenges. The continued risk in relation to this must be acknowledged.
- The Prescribing forecast overspend (£1.4m) has reduced slightly from Month 7 and continues to be driven by national NCSO and Category M cost pressures (£1.8m).
- The over-spend on Individual Packages is driven by QIPP under-achievement (a failure to contain growth) and pressure on average costs of packages.
- QIPP is forecasting 50% achievement before application of reserves and 95% in total. Despite schemes having been risk assessed at the start of the year and the anticipated impact phased in line with delivery milestones, there has been significant in-year slippage influenced by a range of factors including Provider engagement.
- 38% of 0.5% contingency has been utilised to secure the reported year end position, leaving £1.9m remaining. This is an improved position compared to previous months and has been achieved through the identification of alternative budget flexibilities.
- A significant under-spend of almost £1.0m is forecast for Running costs.

Headlines

- Achievement of the forecast position would enable the CCG to exit 2018/19 with an underlying surplus of £0.5m. Any additional non-recurrent action needed to secure the in-year position will result in a worsening of the underlying position.
- It was agreed by F&P Committee that Acute contract over-performance, the CHC over-spend and the QIPP risk continue to be highlighted to the Governing Body as the key issues to be addressed.
- The F&P Committee also wished to ensure that the Governing Body was sighted on the risk that contract challenges might not be successful and the impact this would have on the CCG's out-turn position.

1.2 Recommendations

The Members of the Governing Body are asked to:

- NOTE that an overall balanced position is reported at Month 8 but with a concerning risk profile and a significant reliance on securing contractual challenges.
- NOTE the areas being escalated to the Governing Body.

1.3 Financial Duties

Description of Financial Duties	Target	In Month Variance RAG	YTD Variance RAG	RAG Explanation
Ensure revenue expenditure does not exceed the agreed allocation	Statutory duty to breakeven	Green	Green	The CCG has an agreed annual financial plan with NHS England with a cumulative control total of £6m surplus and an in year breakeven position. The CCG is currently on plan to achieve these control totals.
Maintain expenditure within the revenue resource limit and deliver against NHS England agreed control total	Position greater than or equal to Plan	Green	Green	The overall CCG position remains in balance.
Maintain expenditure within the allocated cash limit	Cash Drawdown less than or equal to Plan	Green	Green	The CCG is within the monthly cash target, and had a remaining cash balance of £12k.
Maintain capital expenditure within the delegated limit from NHS England	Expenditure less than or equal to Plan	Green	Green	The CCG capital expenditure is within its capital allocation limits.
Ensure running costs are within the agreed allocation	Expenditure less than or equal to Plan	Green	Green	Running costs are underspent year to date.
Ensure a minimum of 0.5% contingency is held	Greater than or equal to 0.5%	Amber	Amber	The CCG has utilised some of its contingency in Month 8, with £1.9m available to offset emerging risks during the remainder of the financial year.
Ensure that 1% of funds are held uncommitted unless agreed to be released by NHS England	Greater than or equal to 1%	Green	Green	The CCG has committed half of the 1% non recurrently as directed and is no longer required to keep the remaining balance uncommitted.
Ensure compliance with the better payment practice code (BPPC)	Greater than or equal to 95% by Number/Value	Green	Green	The CCG continues to comply with the Better Payment Practice Code (BPPC) for both NHS and Non-NHS validated invoices.

RAG Rating	
Red	Not achieving financial duty and unlikely to without remedial action.
Amber	Based upon current information there is a risk that the financial duty will not be achieved.
Green	Achieving financial duty

1.4 Trends

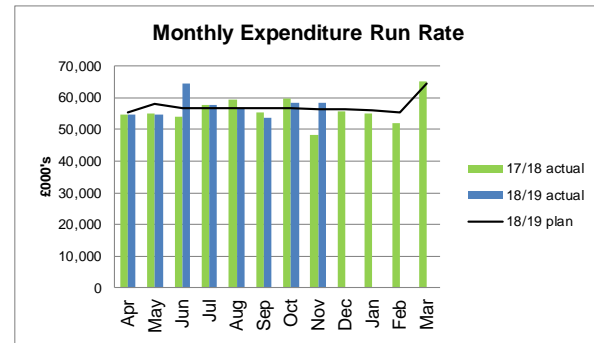
Service Area	Year to date (YTD)			Forecast Outturn (FOT)		
	Gross expenditure £000s	Income £000s	Net expenditure £000s	Gross expenditure £000s	Income £000s	Net expenditure £000s
Programme Costs	457,028	(2,967)	454,061	686,386	(3,672)	682,714
Running Costs	5,524	(173)	5,351	8,985	(220)	8,765
Reserves	(1,727)	0	(1,727)	1,897	0	1,897
Grand Total	460,825	(3,140)	457,685	697,268	(3,892)	693,376
(Surplus) / deficit						-

	Annual Plan		Month 8 Position	
	£m	% RRL	£m	% RRL
Year to Date Cumulative underspend / (deficit)	0.0	0.0%	(0.0)	(0.0%)
In-year (underspend) / deficit - forecast	(0.0)	(0.0%)	(0.0)	(0.0%)
B/f Surplus	(6.0)	(1.0%)	(6.0)	(1.0%)
Cumulative (underspend) / deficit - forecast	(6.0)	(1.0%)	(6.0)	(1.0%)
Underlying (underspend) / deficit- forecast			(0.5)	(0.1%)

Monthly Cash Drawdown						
Period	Opening Balance £000s	PLAN CCG Cash Drawdown £000s	CCG Cash Drawdown £000s	Total Cash Available £000s	Net Spend £000s	Cash Balance £000s
April	85	82,200	82,200	82,285	81,693	592
May	592	44,700	44,700	45,292	45,255	37
June	37	32,100	32,100	32,137	32,115	22
July	22	81,800	81,800	81,822	81,811	11
August	11	38,800	38,800	38,811	38,744	67
September	67	29,850	29,850	29,917	29,820	97
October	97	80,900	80,900	80,997	80,929	68
November	68	41,200	42,000	42,068	42,056	12
December	12	49,960				-
January	-	68,160				-
February	-	40,610				-
March	-	40,894				-
Total CCG Cash Drawdown			432,350			
NHSBA Cash Drawdown			39,606			
Total Drawdown			471,956			

Maximum Cash Drawdown (MCD)	693,302
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% of MCD utilised	68.1%
% of months completed	66.7%



2. Financial and Contractual Management



2.2 Summary Financial Position vs Annual Plan

	Original Budget	Annual Budget	YEAR TO DATE			FORECAST				PRIOR MONTH FORECAST		
			Budget	Actual	(Under) / Over spend	Forecast Actuals	(Under) / Over spend	% Variance	RAG Rating	M7	Diff	% Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s			£000s	£000s	
Acute Healthcare	330,785	329,237	221,876	228,800	6,924	341,668	12,431	3.8%		339,833	1,835	0.5%
Non Acute Healthcare	173,505	173,243	115,035	114,939	(96)	174,266	1,023	0.6%		176,016	(1,750)	-1.0%
Primary Care	69,897	73,567	49,323	49,056	(267)	73,700	133	0.2%		73,885	(185)	-0.3%
Delegated Co-Commissioning	68,161	68,516	45,447	45,447	0	68,516	0	0.0%		68,516	0	0.0%
Other Programme	26,356	25,529	16,695	15,819	(876)	24,564	(964)	-3.8%		24,627	(63)	-0.3%
Total Commissioning Budgets	668,704	670,092	448,376	454,061	5,685	682,714	12,623	1.9%		682,877	(163)	0.0%
General Reserves	2,722	10,448	3,498	(1,727)	(5,225)	(16)	(10,464)	-100.2%		(223)	207	-92.9%
0.5% Contingency	3,080	3,080	0	0	0	1,913	(1,167)	-37.9%		1,913	0	0.0%
Total Programme Budgets	674,506	683,620	451,874	452,334	460	684,611	992	0.1%		684,567	44	0.0%
Running Cost Allowance (RCA)	9,692	9,756	5,828	5,351	(477)	8,765	(992)	-10.2%		8,832	(67)	-0.8%
Total Expenditure	684,198	693,376	457,702	457,685	(17)	693,376	(0)	0.0%		693,399	(23)	0.0%
Total CCG Allocation	690,198	699,376	457,702	457,702	0	699,376	0	0.0%		699,399	(23)	0.0%
(Under)/Over spend	(6,000)	(6,000)	0	(17)	(17)	(6,000)	(0)	0.0%		(6,000)	(0)	0.0%

- At Month 8 the CCG is reporting a forecast cumulative year-end surplus position of £6.0m against its notified allocation which is in accordance with the Plan agreed with NHS England. This is after the application of a number of reserves flexibilities and the application of a significant proportion of the CCG's general contingency, increasing the risk exposure for the remainder of the year.
- The reported Month 8 position reflects available monitoring information and local knowledge of contracts and an assessment of expected QIPP achievement. The high level of challenges included within the Acute position (£7.5m) carry a risk to the CCG. Based upon the month 8 position the CCG would be able to partially mitigate this risk using the remaining contingency and circa £1m from other areas
- An under-spend of £1m is forecast against the CCG's Running Cost Allowance (RCA).

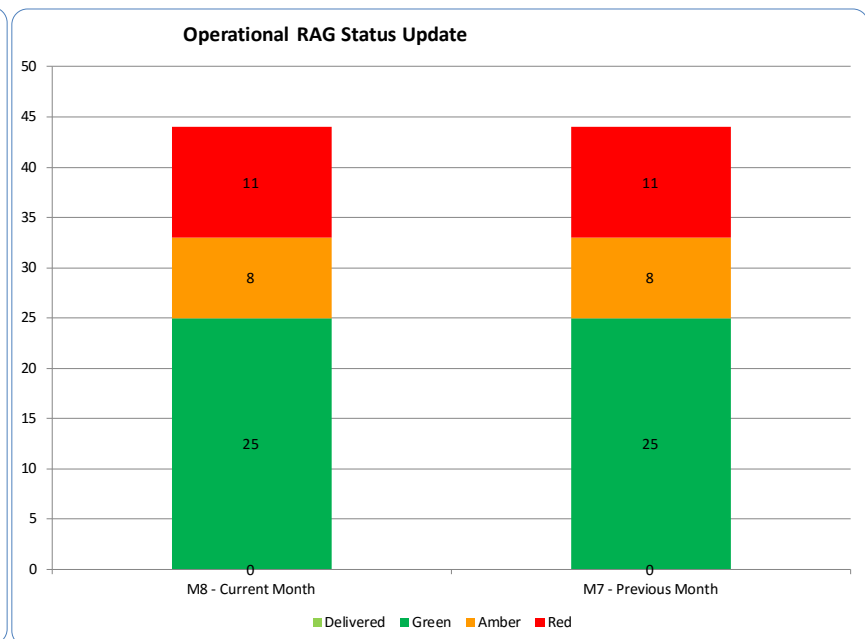
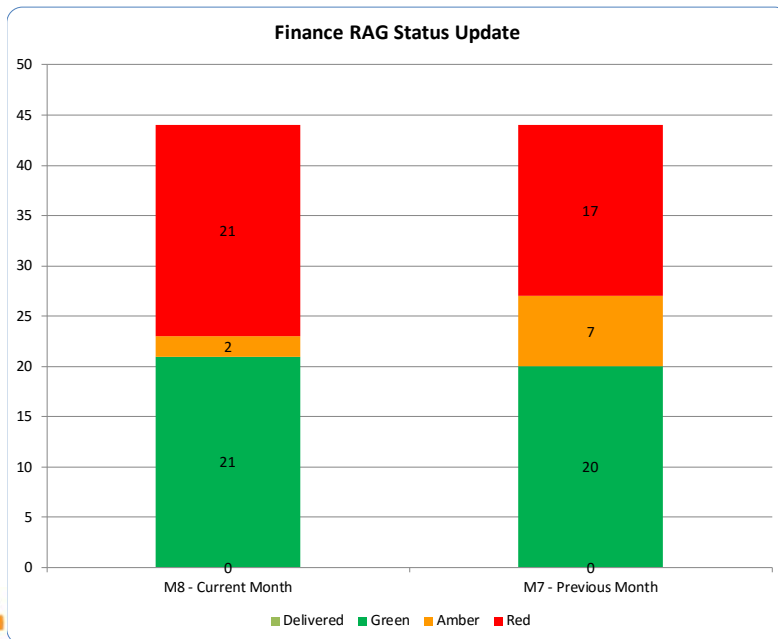
2.13 QIPP – RAG Status

The tables below show the QIPP RAG status at Month 8 for both Finance and Operational performance on number of schemes rather than financial value.

Status	Finance RAG		Operational RAG	
	M8 - Current Month	M7 - Previous Month	M8 - Current Month	M7 - Previous Month
Red	21	17	11	11
Amber	2	7	8	8
Green	21	20	25	25
Delivered	0	0	0	0
TOTAL	44	44	44	44

KEY

	On Target	$\geq 90\%$ of plan
	Of Concern	$< 90\%$ but $\geq 75\%$ of plan
	Action Required	$< 75\%$ of plan
	QIPP Delivered	



2.13 QIPP – Financial Position

Programme	Annual plan	Plan YTD	Actual YTD	Variance YTD	YTD %	Forecast Year End	Forecast Year End Variance	Forecast %	Finance RAG	
Elective Care	£4,127,996	£2,458,112	£24,799	(£2,433,313)	1%	£24,799	(£4,103,197)	1%	●	↓
Urgent Care	£1,325,734	£700,555	£495,168	(£205,387)	71%	£764,309	(£561,424)	58%	●	↓
Personalised Care + Mental Health	£4,527,516	£2,795,024	£1,437,704	(£1,357,320)	51%	£2,690,479	(£1,837,037)	59%	●	↑
Prescribing	£2,975,236	£2,024,515	£2,449,075	£424,560	121%	£3,457,709	£482,473	116%	●	↑
Primary Care	£2,952,284	£1,235,193	£70,766	(£1,164,427)	6%	£318,340	(£2,633,944)	11%	●	↓
Other Schemes (Recurrent)	£1,563,000	£1,042,000	£1,042,000	£0	100%	£1,563,000	£0	100%	●	⇒
Total - Current - Month Month 8 Excl NR Flexibilities	£17,471,766	£10,255,399	£5,519,511	(£4,735,887)	54%	£8,818,636	(£8,653,130)	50%	●	↑
Elective Care (Non Recurrent)	£0	£0	£0	£0	%	£0	£0	%	●	⇒
Urgent Care (Non Recurrent)	£0	£0	£0	£0	%	£0	£0	%	●	⇒
Other Schemes - NCSO Drugs (Non Recurrent)	£3,132,000	£2,088,000	£2,088,000	£0	100%	£3,132,000	£0	100%	●	⇒
Budget Delivery - Use of Reserves	£0	£0	£4,120,000	£4,120,000	%	£7,686,623	£7,686,623	%	●	⇒
Total - Current - Month 8	£20,603,766	£12,343,399	£11,727,511	(£615,887)	95%	£19,637,259	(£966,507)	95%	●	↑
Total - Previous - Month 7	£20,603,766	£10,405,914	£9,875,043	(£530,872)	95%	£19,600,352	(£1,003,414)	95%	●	●

- Forecasting 50% achievement before application of reserves and 95% in total.
- Elective Care is showing significant slippage across all schemes due to increased referrals. This is impacting performance on the main contract with the CCG, however there may be recurrent savings.
- Personalisation impeded by staffing issues in Q1 but now back on track with noted slippage and expected to deliver recurrently.
- Re-assessment of Urgent Care identified target as too high for a single year; triggered budget review to identify alternative savings.

QIPP

The graphs below show performance by each programme plan, a cumulative position and year to date QIPP performance against the QIPP profile and a straight line profile. The performance includes the additional risk position. QIPP actual performance is below plan with a significant expansion needed for the rest of the financial year as well as recovery actions.

