

NHS Cumbria CCG Governing Body	Agenda Item
17 April 2014	12

Finance Report

Exec Summary/Purpose of report:

The purpose of the report is to provide the Governing Body with an update on financial issues facing the CCG in the 2013/14 financial year. The attached report provides an update of the year-to date position and forecast out-turn along with an update on key items of risk.

Key Issues & Recommendations:

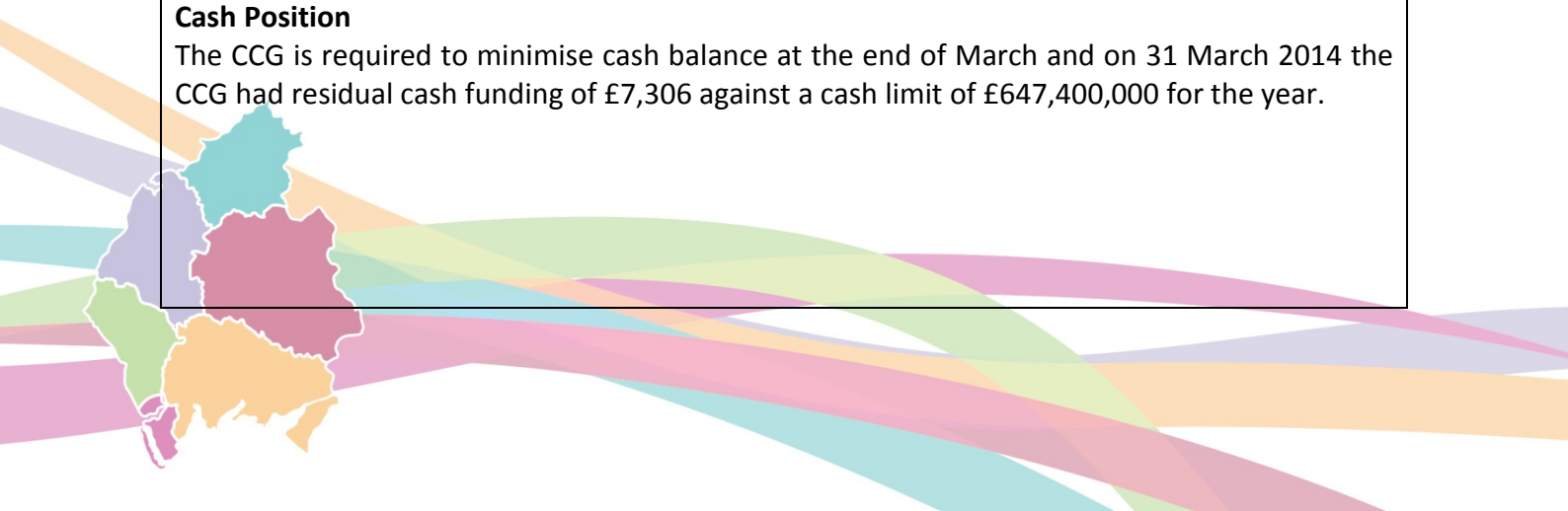
In-Year Financial Position (Month 11)

The attached paper demonstrates that the CCG is expecting to deliver a surplus of £8.4 million for 2013/14 as reported to the Interim Finance and Performance Committee. The March figures (as part of the draft accounts) are still in preparation and will be completed by the 23 April in line with the NHSE timetable. This is based upon achieving the “trading” surplus previously forecast of £5 million along with retaining £3.4 million of the £6.8 NCUHT “acquisition” funding. This follows agreement of a contract with NCUHT for 2014/15. The residual £3.4 million is to be paid across to NCUHT on 31 March 2015 on the basis of continued collaborative working during 2014/15. NHSE have supported this approach and therefore the CCG has approval to draw down the £3.4 million addition surplus from NHSE during 2014/15 to facilitate this funding transfer.

The CCG is preparing accounts in accordance with the CCG’s Annual Accounts Direction issued by NHSE that states no assets and liabilities other than inventories, non-current assets and their closely related liabilities of predecessor PCT’s are to be accounted for by the relevant Clinical Commissioning Group, and this reflected in both the reported revenue position and in the opening balance sheet.

Cash Position

The CCG is required to minimise cash balance at the end of March and on 31 March 2014 the CCG had residual cash funding of £7,306 against a cash limit of £647,400,000 for the year.



Approval of Year-End Report & Accounts

Responsibility for approval of the accounts lies with the Governing Body in accordance with the CCG's scheme of delegation. The CCG will prepare draft accounts for Audit on 23 April in accordance with NHSE guidelines and the final accounts will be brought before the Governing Body for approval on 4 June. An Audit Committee meeting is scheduled for 2 June to formally receive the report from Grant Thornton, the CCG's external auditors and enable the Audit Committee to review the accounts in detail and thus provide the Governing Body with a recommendation that the accounts should be formally adopted. Therefore members should note that the accounts will be tabled at the June meeting. However, all members of the Governing Body will be invited to a briefing session in advance of the June Audit Committee meeting to enable members to have a full understanding of the content of the accounts.

Actions required by members

The Governing Body is asked to:

- NOTE the financial position as reported at February and the process for approving the year-end accounts.

Management Sponsor	Charles Welbourn, Chief Finance Officer
Clinical Sponsor	Dr David Rogers, Medical Director
Presented By	Charles Welbourn, Chief Finance Officer
Contact Details	Charles.welbourn@cumbriaccg.nhs.uk

Finance Report

February 2014



Introduction

The purpose of this paper is to present the financial position of the CCG at February 2014. This information has been used to report the CCG's finances to NHS England through the "Integrated Financial Single Environment" (IFSE) which is a national finance ledger system that all CCGs use as a condition of authorisation. The report shows that the CCG now is forecasting delivery of a planned surplus of £8.4 million compared to £5 million previously forecast. This reflects an agreed transfer of £3.4 million of the North Cumbria "acquisition funding" with the balance to be transferred in March 2015 as part of an agreed contract settlement for 2014/15.

Summary Position & Key Issues

The financial position at February and the year-end forecast are shown as Appendix 1. This shows a forecast surplus of £8.4 million and reflects the most up-to-date contract information and the impact of mitigating actions to address overspends. Hence, the forecast position reflects the current assessment of the "most likely" position.

- The budget shown is that approved by the Governing Body in June. This has been adjusted for some agreed allocation changes with funds transferring to NHS England. The CCG was aware that these transfers were to be progressed, and the expenditure budget will be reduced by an "equal and opposite" amount from reserves as the CCG has not committed expenditure against them. These changes are therefore revenue neutral to the CCG.
- The CCG entered into a non-recurring risk sharing arrangement with the CNT&W Area Team and other CCGs in the North East based upon the estimated value of the specialised commissioning baseline, this has been reflected in the revenue resource limit. The final figures for 2013/14 were agreed in January and these are reflected in the forecast out-turn. The main change related to an updated figure for spend on HIV drugs based upon actual 2012/13 expenditure rather than the estimates used in the initial exercise. However, these costs have been

offset by non-recurring funding rebates received on offender health and the property baseline.

- Similarly, in common with previous years, there is a two month time lag on prescribing information (i.e. only April to December's data) and current spend is below budget. However, it is noteworthy that since ledger "closedown" January's figures have been received and the forecast is consistent with December's at around £1 million underspent.
- In the other primary care budgets the CCG (in common with other CCGs in CNTW) is still awaiting final sign-off from the Area Team on the GP IT expenditure plan although costs incurred are being reimbursed. In addition, there are some draft proposals to change the method of allocating resources for GP IT funding nationally (based more on per capita) and this is being actively followed up with the Area Team and programme lead with NHS England. On a positive note it is understood that a capital bid to NHSE for Cumbria IT spend (£650,000) has been approved, and that the on-going capital charges on the investment will also be covered by NHS England.
- As reported in January the CCG has now reached financial agreement on the final contract value for both NCUHT and UHMB in the current year and this is reflected in Appendix 1. The risk on secondary care activity in 2013/14 is now limited to contracts outside of Cumbria as outlined later in the report.
- Expenditure on continuing health care and mental health packages is based upon "pseudonymised" information from the continuing care database combined with reviewing the value of invoices from care homes. At February the position shows overall expenditure assessed as being in line with last year's cost levels. Hence, the "growth" contingency in the budget has not been utilised in 2013/14 and a forecast underspend of around £1.5 million is predicted.
- The reserves figure in the budget includes funding set aside to support the acquisition of NCUHT by Northumbria Health Care Foundation Trust based upon a planned acquisition in October 2013. The CCG has agreed, following Governing Body approval, to pass the £6.8 million to the Trust in two equal tranches of £3.4 million in March 2014 and March 2015. Hence, an underspend of £3.4 million is shown in reserves thus increasing the surplus to £8.4 million.
- The CCG established a contingency of £3.6 million to address in-year activity pressures, and this is fully utilised as shown in Appendix 1.
- The pay budget has a small underspend through vacancies in the CCG structure as would be anticipated for a new organisation. There is also an underspend of around £500,000 on running cost reserves.
- On 10 December NHS England announced a complete change in policy regarding the accounting arrangements for CCG balances, with effectively all relevant balances (i.e. debtors and creditors) carried forward from Cumbria PCT to be retained by NHS England until April 2014. The work undertaken to date shows that this will not have adverse impact on the overall income and expenditure position for 2013/14 although there may be issues moving forward into future

years. Indeed the CCG has been able to utilise some of the non-recurring funds as a result to fund some of the backlog costs of addressing the 18-week referral to treatment time (RTT) thus reducing the reported cost pressure resulting from additional activity.

- Given the change noted above in balance sheet arrangements NHSE has also introduced bespoke arrangements for setting CCG cash limits in 2013/14. The confirmed cash limit for the CCG issued by NHSE is £647.4 million and the CCG has put plans in place to manage to this amount by the end of March.
- NHSE has published a “closedown” timetable for CCG accounts that is broadly consistent with previous drafts. A formal timetable to deliver against these deadlines was presented to the Audit Committee in February.

Key Risks 2013/14

The CCG is taking a stratified approach to address the issues, reflecting of the level of influence that the CCG has in managing contract performance, this is summarised in the following paragraphs. However, the overall level of risk is considered manageable and the CCG is not currently aware of any issues that should significantly impact on the year-end forecast based upon current system rules.

Secondary Care Activity

As reported previously in the year there has been significant variation in acute activity at an individual provider level outside Cumbria and the latest position is shown in Table 1. .

Table 1: Provider Forecast Out-turn

Provider	Month 11 Budget £M	Month 11 Forecast £M	Month 11 Variance £M
Newcastle upon Tyne Hospitals	10.8	10.4	(0.4)
Ambulance Contracts (NWAS/NEAS)	25.8	25.7	(0.1)
Northumbria Healthcare	6.1	6.6	0.5
Wrightington Wigan and Leigh	2.8	3.5	0.7
Blackpool Teaching	2.1	2.2	0.1
Gateshead Health	0.7	0.9	0.2
Lancashire Teaching Hospitals	4.6	5.0	0.4
Leeds Teaching Hospitals	0.8	0.5	(0.3)
City Hospitals Sunderland	0.4	0.2	(0.2)
Non contract activity	2.4	4.0	1.6
Drugs and Devices	1.0	0.0	(1.0)
BMI/Ramsay/ Spire	3.0	2.2	(0.8)
Northumberland Tyne and Wear	0.7	1.0	0.3
Royal Liverpool and Broadgreen	0.4	0.6	0.2
Other Contracts	9.1	9.3	0.2
Total	70.7	72.1	1.4

It is acknowledged that the move towards achieving the 18-week RTT in all specialties has generated additional elective work, this is reflected in some of the increased activity (noticeably at UHMB, Northumbria and Wrightington). However, as previously stated the CCG has allocated some non-recurring funds to fund the “catch-up” element. The following issues are noteworthy:

- Additional activity at Northumbria primarily relates to orthopaedics and patient choice. There had been concern that there was a potential “double-count” with activity to reduce waiting times at NCUHT, this would not seem to be the case. Nevertheless, some activity in the early part of the year was appropriately transferred to Northumbria to reduce patient waiting times although recent information has suggested this will abate in the final quarter and hence the forecast cost has reduced slightly. However, based upon latest activity information this trend has not abated as expected and therefore the forecast has been uplifted to previous levels.
- The “non-contract” activity levels have increased following the “agreement of balance” exercise carried out in January where NHS organisations were asked to confirm and agree debtors and creditors with other NHS bodies. To some extent there has been a “catch-up” element for the year owing to all the changes in commissioning arrangements (hence this is a year-to-date rather than in month issue) and a significant portion of this would appear to relate to Bentham practice which was previously part of North Yorkshire PCT.
- The drugs and devices budget is effectively a contingency fund used to offset these costs incurred at individual provider level.
- This position excludes CPFT’s contracts for both mental health and community services as these are block contracts and therefore any changes in value are formally agreed rather than being determined by patient activity.

Other Risks

In addition to the secondary care issue there are a number of other risks that are noteworthy that have not been covered in the current financial position. These are considered below, and, in isolation, they are unlikely to have a significant impact on the overall financial position:

- The CCG has agreed with CPFT to undertake an “open book” process to map the changes in responsibilities for property costs following the transfer of previously PCT owned premises to CPFT and the NHS Property Services (Propco). The expectations are that this will be undertaken on a no gain, no loss basis and therefore should be revenue neutral. However, NHSE and Propco have changed the basis of charging for 2013/14 back to “allocations” rather than actual cost. This is a complex issue to transact given the number of properties involved, and the fact that the Propco transfer subsequently involved a different portfolio of properties. The CCG continues detailed work on this issue but the evidence to date suggests there is not a significant financial risk in 2013/14.
- The CCG is assuming that there will be no further significant changes to funding allocations and accounting arrangements in 2013/14 (i.e. no further changes to

balance sheet arrangements). For example, NHSE have confirmed that CCGs are not required to make any adjustment for cost of capital (i.e. 3.5% return on average net assets employed).

Recommendation

The Committee is asked to:

- NOTE the year-to-date and forecast financial position and the identified risks at February.

Appendix 1: Financial Position February 2014

Financial Position as at 28th Feb 2014	Original Budget £'000	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000	FYE Budget £'000	FYE Actual £'000	FYE Variance £'000
Recurring Allocations							
CCG Baseline Allocation	(692,122)	0	0	0	(692,122)	(692,122)	0
Agreed Adjustments	20,175	0	0	0	28,361	28,361	0
Running Cost Allowance	(12,800)	0	0	0	(12,800)	(12,800)	0
Sub-total	(684,747)	0	0	0	(676,561)	(676,561)	0
Non-recurring Allocations							
Share of PCT Surplus	(7,196)	0	0	0	(7,196)	(7,196)	0
Sub-total	(7,196)	0	0	0	(7,196)	(7,196)	0
Revenue Resource Limit 2013/14	(691,943)	(614,602)	(614,602)	0	(683,757)	(683,757)	0
Expenditure Budget 2013/14							
Primary Care							
Prescribing & Medicines Management	89,536	80,908	80,172	(736)	89,536	88,536	(1,000)
Other Primary Care	4,182	3,628	3,680	52	3,959	3,959	0
Total Primary Care	93,718	84,536	83,852	(684)	93,495	92,495	(1,000)
Secondary Care							
NHS Acute Providers (North & West)	172,648	166,934	170,793	3,860	185,400	189,526	4,126
NHS Acute Providers (South)	133,655	127,038	127,960	922	140,387	141,512	1,126
Non Contract Activity & Independent Sector	5,504	5,813	5,566	(247)	6,342	5,986	(356)
Total Secondary Care	311,807	299,785	304,319	4,535	332,129	337,025	4,896
Mental Health & Learning Disabilities							
NHS Providers	62,362	57,463	57,499	37	62,713	62,742	29
Packages of Care	11,732	10,765	8,906	(1,859)	11,612	9,527	(2,085)
Learning Disability Pooled Fund	4,892	4,485	4,485	0	4,892	4,892	0
Total Mental Health & Learning Disabilities	78,986	72,712	70,890	(1,822)	79,217	77,161	(2,056)
Services Delivered in the Community							
Community Services	82,420	76,508	76,842	334	83,645	83,821	176
Out of Hospital Urgent Care	34,356	31,809	32,201	392	34,701	35,106	405
NHS Funded Continuing Care	32,839	28,299	26,815	(1,484)	30,839	29,279	(1,560)
Other Care	3,513	2,696	2,541	(155)	2,901	2,787	(114)
Total Community Based Services	153,127	139,312	138,399	(912)	152,085	150,993	(1,092)
Reserves							
Planned Investments	18,211	1,267	0	(1,267)	2,259	1,217	(1,041)
2% Non-recurring Investment	13,842	0	0	0	5,329	2,723	(2,606)
Planned Contingency	3,594	0	0	0	0	0	0
Total Reserved Funds	35,647	1,267	0	(1,267)	7,588	3,941	(3,647)
Programme & Running Costs							
Total Running Costs	12,800	11,072	10,663	(408)	12,800	12,300	(500)
Other Specific Programmes	810	1,292	1,458	166	1,395	1,395	0
Total Costs	13,610	12,364	12,122	(242)	14,195	13,695	(500)
Total Expenditure Budget	686,895	609,975	609,582	(392)	678,709	675,309	(3,400)
Planned Surplus	(5,048)	(4,627)	(5,020)	(392)	(5,048)	(8,448)	(3,400)