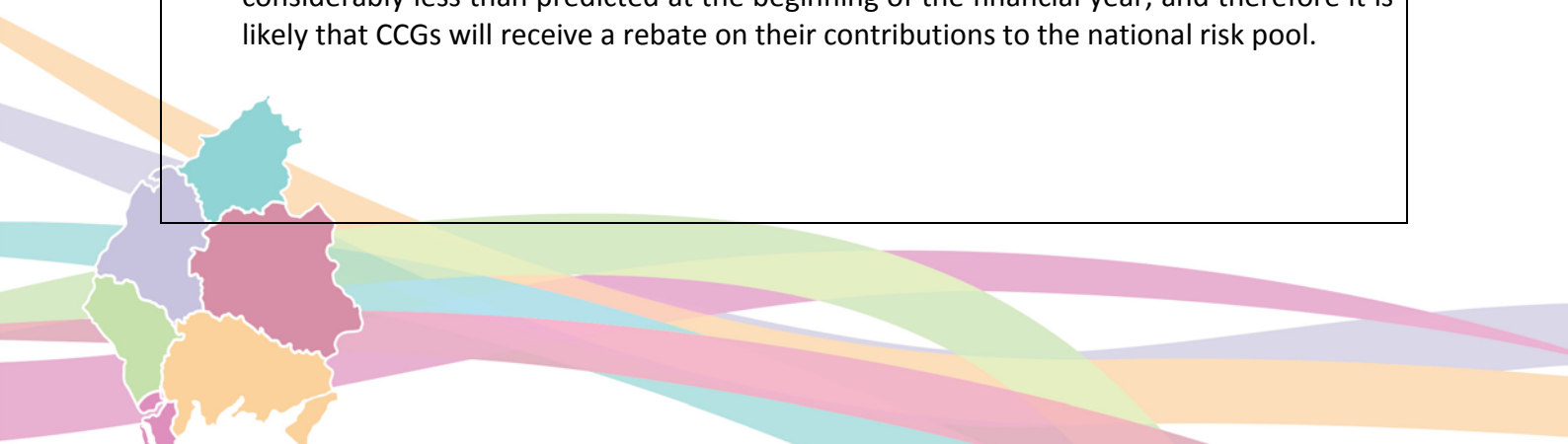


NHS Cumbria CCG Governing Body	Agenda Item
4 February 2015	14

Finance Report December

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 2014/15 financial year.
Key Issues/Considerations:
<p>In-Year Financial Position</p> <p>The attached December Finance Report demonstrates that the CCG is forecasting achievement of the planned financial surplus of £5 million. However, it is important to note that in making this forecast there are considerable cost pressures and therefore there is significant risk to achieving this position. The CCG is actively addressing the risk through a combination of measures to reduce expenditure where spending is over budget and considering opportunities to reduce in-year costs in other areas. The major changes arising since the last Governing Body relate the two issues below, and both have been reflected in the forecast:</p> <ul style="list-style-type: none"> • All CCGs have received updated prescribing forecasts from the DH reflecting a known change in the price of Category M drugs but the forecast for Cumbria (along with all neighbouring CCGs) has increased substantially more than predicted. However, it would appear that the forecasts potentially have not been adjusted to reflect the “one-off” impact of flu vaccinations with the NHSBSA noting <i>“The increase in monthly spend between September and October 2014 will impact final forecast outturn figures. However, we would expect to see this figure decreasing over the next few months once the seasonal increase in volume has passed”</i>. • A national exercise undertaken by NHSE has suggested that the actual cash expenditure on historic provisions for continuing health care forecast in 2014/15 is likely to be considerably less than predicted at the beginning of the financial year, and therefore it is likely that CCGs will receive a rebate on their contributions to the national risk pool.



Planning for 2015/16

Updated CCG allocations and planning guidance for 2015/16 were issued by NHS England in late December 2014. The CCG is working through these issues along with the “full-year” impact of the 2014/15 expenditure forecasts to update the CCG financial plans for 2015/16. The planning guidance asks that the CCG provides detailed financial plans at this stage for 2015/16 only. An update of the position will be provided to the Finance & Performance Committee in February with the 2015/16 budget being considered for formal approval by the Governing Body in April.

Recommendations:

The Governing Body is asked to:

- NOTE the year-to-date and forecast financial position and the identified risks at December
- NOTE that the 2015/16 budget will be brought for approval by the Governing Body in April

CCG Objectives:

This workstream is established to address the following objective of the CCG:

Financial Control: Improve value for money through the most effective deployment of resources while maintaining financial balance

Statutory/Regulatory/Legal/NHS Constitution Implications

The report addresses the delivery of the CCG’s statutory financial duties.

Assurance Framework:

The report addresses the delivery of the CCG’s statutory financial duties.

Finance/Resource Implications:

Please see key issues above.

Implications/Actions for Public and Patient Engagement:

The report enables the CCG to provide stakeholders with a summary of financial issues facing the CCG.

Equality Impact Assessment:

The CCG is committed to fulfilling its duty under the Equality Act 2010 and to ensure its commissioned services are non-discriminatory.

Lead Director	Charles Welbourn, Chief Finance Officer
Clinical Lead	N/A
Presented By	Charles Welbourn, Chief Finance Officer
Contact Details	Charles.welbourn@cumbriaccg.nhs.uk
Report Author	Charles Welbourn, Chief Finance Officer
Date Report Written	24 January 2015

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Finance Report December 2014



Introduction

The purpose of this paper is to present the financial position of the CCG at December 2014. This information has been used to report the CCG's finances to NHS England through the "Integrated Single Financial Environment" (ISFE) which is a national finance ledger system that all CCGs use as a condition of authorisation. The report shows that the CCG is forecasting delivery of the planned surplus of £5 million as per the budget.

Summary Position & Key Issues

The financial position at December and the year-end forecast are shown at Appendix 1. This shows a forecast surplus of £5 million and reflects the most up-to-date contract information available. However, it is important to note that this position is predicated upon no further increases in expenditure patterns for the remainder of the year, and that the CCG is able to retain the "rebate" in relation to CHC retrospective contributions. The following paragraphs provide a summary of the key financial issues behind this approach.

- The budget shown is that approved by the Governing Body in April. This has been adjusted for the GP IT funding that is now allocated to the CCG from NHSE rather than recovered through invoicing. The CCG submitted a bid for additional GP IT funding owing to changes in the allocation formula, the successful bid has given the CCG a further £1.05 million in 2014/15 as transition funding along with £650,000 of capital funding for GP IT. This funding should be sufficient to ensure all planned GP IT programmes are delivered in 2014/15.
- The CCG has now been notified of the £720,000 final Quality Premium funding value for 2013/14 and this is therefore reflected as an agreed allocation adjustment. This funding was not included in the budget and therefore is being used to off-set in-year cost pressures.
- The resource allocation includes a reduction of £514,000 in respect of "Overseas Visitors" following a national data collection exercise undertaken in August. Although a similar funding adjustment was previously applied to PCTs, it is important to note that this was neither applied in 2013/14 nor included in the financial planning guidance for 2014/15 and therefore represents an unbudgeted cost pressure in 2014/15.

- In June NHSE announced a further non-recurring allocation to all CCGs for “operational resilience” in 2014/15 with Cumbria’s share being £3.65 million. This figure was confirmed as an allocation in October along with a further tranche of £5.9 million of system resilience funding allocated by NHSE, with the majority of funding allocated for “pass-through” to specific providers being £3.75 million for NCUHT, £1.4 million for UHMB and £440,000 for NWAS. Further national funding has been announced to address additional activity to meet waiting time targets for elective activity but this has not yet been fully allocated to CCGs.
- As in previous years, there is a time lag on the availability of prescribing information and “actual” figures are based on spend to October. The forecast out-turn reflects the latest projections from the NHS Business Service Authority reflecting a national settlement on pharmacy costs and “Category M” drug costs that has increased the year-end forecast overspend.
- The overall forecast variance in secondary care is summarised in the following areas:

As previously reported there are planned care pressures at Northumbria Healthcare, and the CCG continues to work with NCUHT and Northumbria on establishing the underlying impact of transferring activity from NCUHT to Northumbria to manage waiting times. The forecast pressure reflects the CCG’s estimate of underlying growth in Northumbria activity (e.g. shift of former Ramsay activity from Eden Valley area) over and above transfers of activity from NCUHT to address the RTT (referral to treatment time) 18-week target.

In addition, there has been further significant cost growth in “pass through” drug costs at NCUHT of circa £1.9 million full-year effect and around £400,000 at UHMB. The CCG pharmaceutical leads are reviewing the underlying issues with their counterparts at the Trusts to understand the drivers behind the costs and seek opportunities to mitigate costs. The work has identified that the use of some drugs appear to be an outlier when compared to the underlying population information and levels of spend in other providers. Therefore the Trust has been challenged directly on the level of costs incurred but the “gross” position is shown in the forecast.

The other significant area of over-performance is Newcastle Hospitals and is derived predominantly from non-elective activity and associated high cost treatments such as critical care.

The CCG is also following-up with a number of commissioners “out of area” to ensure that the CCG is not being invoiced for work funded on a specific provider basis to reduce waiting times. However, as previously noted, there has been a significant increase on non-contract activity between 2013/14 and 2014/15. The CCG has asked Internal Audit to review underlying data available and other practices to see if there are further opportunities to “check and challenge” this information within the current information governance rules.

- As reported there has been considerable growth in the cost of packages of care in terms of mental health placements, continuing health care (CHC) and children with a combined forecast remaining at around £2 million overspent.

A Continuing Care working group who meet every two weeks has been established to review the risks and potential mitigating actions in these areas and already a number of procedural changes have been introduced to potentially reduce costs. However, should the rate of growth continue for the remainder of the year then inevitably this would create additional pressure on budgets that could not be covered without remedial action in other areas. Nevertheless, this work appears to be having an impact as the forecast overall growth levels, along with the impact of some specific actions has abated.

- 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. This process is further complicated as the eLIFT Cumbria premises (Cockermouth & Cleator Moor) have CHP (Community Health Partnerships) ownership and estimated charges have just been received for these premises that also need to be factored into this process. The CCG continues to work with both CPFT and Propco on the detailed analysis on this to ensure funding streams are realigned from 2014/15 onwards and we now consider there is sufficient information available to conclude this process.
- The year-to-date overspend in community services primarily relates to two areas, the first being elective procedures carried out in the community under GPwSI and AQP (any qualified provider) contracts. These are being reviewed and discussions being held with providers to ensure forecasts reflect anticipated work patterns for the remainder of the year. The second area relates to the impact of legislative changes in the prescribing arrangements for wound management by community nurses, whereby costs have increased significantly since 2013/14. Work is being undertaken jointly between CPFT and the CCG prescribing teams to understand what is driving the change and potential actions to manage costs more effectively.
- As part of the work to develop a financial recovery plan an up-to-date assessment on the likely slippage from investments is being undertaken, both on a “do minimum” and a potentially more interventional basis. However, the updated assessment based upon a comprehensive review of reserves is that there will be around £2.8 million slippage on the planned investment and a similar amount reflecting other uncommitted reserves (including re-phasing of expenditure) or funds set aside to manage cost pressures presenting in other budgets.
- The running cost budget has a small underspend primarily through vacancies, along with the unallocated reserve that has not been committed. NECS have now agreed a reduction in costs in 2014/15 as part of their plans to reduce costs by 10% over an 18 month period ending in 2015/16.

- The CCG established a budget of £2.6 million from the non-recurring funds to represent its contribution to a national initiative to cover the cost of legacy continuing care provisions established by PCTs as previously reported. This amount has been top-sliced from the CCG’s budget in month 6 but it is now expected that this figure will be reduced to around £1 million. This reduction in contribution has also been included in the forecast underspend shown on investments. The CCG continues to process the payments in relation to these claims which NHS England reimburse on a monthly basis. Similarly, the CCG forecast is based upon the assumption that the provision established to cover the Cumbria share of the project costs for “Better Care Together” is utilised for these costs in-year. NHSE have indicated that the final contribution value to address this issue will be confirmed in December.
- The CCG is currently drawing down cash on a monthly basis with the final cash limit for the year yet to be confirmed.

Recommendation

The Governing Body is asked to:

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

Appendix 1: Financial Position December 2014

Financial Position as at 31st December 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	(677,324)	0	0	0	(677,324)	(677,324)	0
Agreed Adjustments	4,719	0	0	0	5,017	5,017	0
Running Cost Allowance	(12,725)	0	0	0	(12,725)	(12,725)	0
Sub-total	(685,330)	0	0	0	(685,032)	(685,032)	0
Non-recurring Allocations							
Agreed Adjustments	0	0	0	0	(15,574)	(15,574)	0
Surplus	(8,448)	0	0	0	(8,448)	(8,448)	0
Sub-total	(8,448)	0	0	0	(24,022)	(24,022)	0
Revenue Resource Limit 2014/15	(693,778)	(524,868)	(524,868)	0	(709,054)	(709,054)	0
Expenditure Budget 2014/15							
Primary Care							
Prescribing & Medicines Management	88,568	66,201	68,100	1,900	88,568	90,840	2,272
Other Primary Care	4,247	4,934	4,575	(359)	6,581	5,889	(692)
Total Primary Care	92,815	71,135	72,675	1,540	95,149	96,729	1,580
Secondary Care							
NHS Acute Providers (North & West)	187,299	144,817	148,617	3,800	191,441	196,531	5,091
NHS Acute Providers (South)	140,895	106,634	106,859	226	143,264	143,576	311
Non Contract Activity & Independent Sector	4,953	2,994	4,382	1,388	3,992	5,811	1,819
Total Secondary Care	333,147	254,444	259,858	5,414	338,697	345,918	7,221
Mental Health & Learning Disabilities							
NHS Providers	62,891	47,972	47,667	(305)	63,943	63,405	(538)
Packages of Care	11,402	8,567	8,667	100	11,402	11,735	333
Learning Disability Pooled Fund	5,494	3,596	3,596	0	4,795	4,795	0
Total Mental Health & Learning Disabilities	79,787	60,135	59,931	(204)	80,140	79,935	(205)
Services Delivered in the Community							
Community Services	82,824	63,868	65,579	1,712	85,005	86,821	1,816
Out of Hospital Urgent Care	35,199	25,887	25,835	(52)	34,904	34,721	(183)
NHS Funded Continuing Care	29,745	25,001	25,986	984	30,738	32,509	1,771
Other Care	4,173	1,887	1,980	93	2,516	2,539	24
Total Community Based Services	151,941	116,642	119,379	2,737	153,163	156,590	3,427
Reserves							
Planned Investments	6,160	5,512	0	(5,512)	14,351	6,769	(7,583)
2% Non-recurring Investment	8,100	0	0	0	5,044	5,044	0
Planned Contingency	3,387	2,541	0	(2,541)	3,387	0	(3,387)
Total Reserved Funds	17,647	8,053	0	(8,053)	22,783	11,813	(10,970)
Programme & Running Costs							
Running Costs	12,299	9,238	8,531	(707)	12,300	11,371	(929)
Other Specific Programmes	1,096	1,441	1,382	(60)	1,786	1,661	(125)
Total Costs	13,395	10,679	9,913	(767)	14,086	13,032	(1,054)
Total Expenditure Budget	688,732	521,090	521,756	666	704,017	704,017	(0)
Planned Surplus	(5,046)	(3,778)	(3,112)	666	(5,037)	(5,037)	(0)