

NHS Cumbria CCG Governing Body	Agenda Item
1 April 2015	18

Finance Report February

Purpose of Report:
The purpose of the report is to provide the Governing Body with an update on financial issues facing the CCG.
Key Issues/Considerations:
<p>In-Year Financial Position</p> <p>The attached February Finance Report demonstrates that the CCG is forecasting achievement of the planned financial surplus of £5 million as agreed with NHSE. However, it is important to note that in making this forecast so far in the year the CCG has experienced considerable cost pressures and therefore there have been reported as risks in the year. Nevertheless, since the end of February a number of these challenges have been resolved (or are in the process of being) and an update on the likely impact will be provided at the meeting.</p> <p>Approval of 2014/15 Accounts</p> <p>The CCG is required to submit audited accounts to NHSE by the end of May 2015 for the financial year 2014/15. Under the CCG's constitution approval of the report and accounts is a responsibility for the Governing Body. To ensure these deadlines can be achieved and provide appropriate flexibility to ensure any potential changes in guidance from NHSE (based on 2013/14 experience) then it has been agreed with Grant Thornton to hold a single issue "Part 2" Governing body meeting in May to facilitate this process. The documents submitted to NHSE will also be presented in public at the CCG Governing Body meeting on 2 June.</p> <p>Budget 2015/16</p> <p>As has been reported previously there has been a delay in the 2015/16 financial planning and contracting process as a result of the rejection of the proposed tariff for NHS services in 2015/16 following a national consultation exercise. This has resulted in the deadline for contract agreement being delayed until the end of March 2015 and also anticipated changes in allocations to reflect the impact on CCGs of the resolution of the tariff issues. Therefore, at the time of writing this remains very much "work in progress" and further amendment will be required to the draft plan submitted to NHSE during February. The CCG draft plan showed a</p>

similar planned surplus for 2015/16 (£5 million) based upon provision contract offers and assumptions on potential efficiencies. To support achievement of this target the CCG has been working with the Clinical Leads to develop a robust cost improvement plan for 2015/16 that should be completed in early April. It is therefore planned to present a budget for approval to the Finance & Performance Committee at the April meeting for formal ratification by the Governing Body at the next meeting.

Better Care Fund 2015/16

The Cumbria Better Care Fund proposal was approved by NHSE in January 2015. This will be transacted through a formal "Section 75" agreement with Cumbria County Council. Each partner will retain responsibility for its share of the funds through normal "business as usual rules" but the Better Care Fund will require an overall structure for monitoring delivery of the funds objectives as a whole. Further guidance on this issue was issued by NHSE on 23 March 2015 in the document "Guidance for the Operationalisation of the BCF in 2015/16". Work is progressing well with Cumbria CC colleagues in developing the formal agreement for 2015/16 but this is being reviewed jointly to ensure the documentation is consistent with the guidance. It is important that the agreement is formally agreed as soon as possible as this is required to be in place to facilitate the flow of funds between Cumbria CCG and Cumbria CC associated with the BCF. Therefore it is proposed that the contractual documentation supporting the fund in accordance with the approval from NHSE is formally agreed on behalf of Cumbria CCG at the April meeting of the Finance & performance Committee.

Recommendations:

The Committee is asked to note:

- the year-to-date and forecast financial position at February 2015.
- the proposed arrangements for approval of the 2015/16 accounts.
- the proposed arrangements for setting the 2015/16 budget.
- the proposed arrangements for approving the Better Care Fund section 75 agreement.

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.

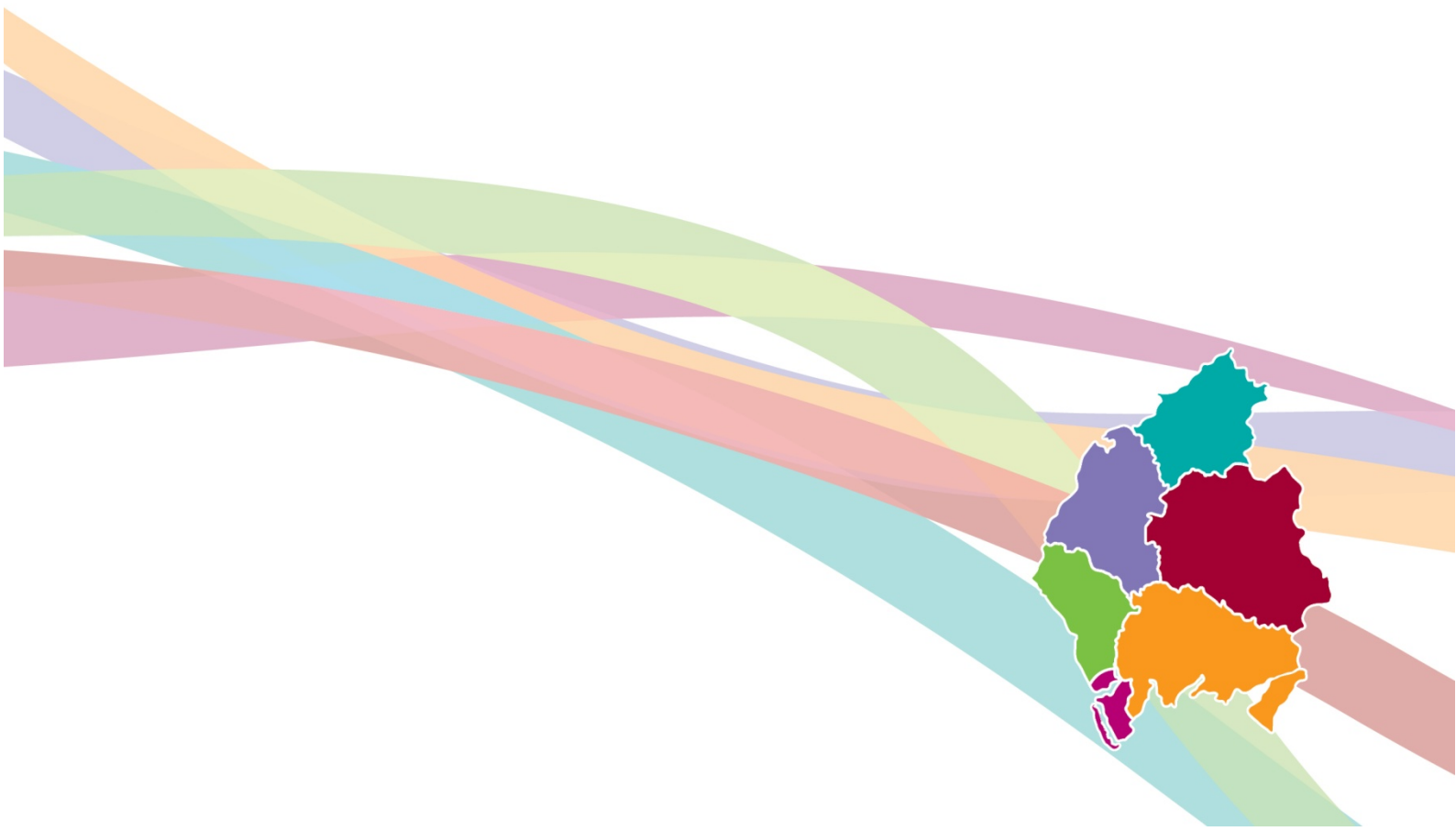
Finance/Resource Implications:
Please see key issues above.
Implications/Actions for Public and Patient Engagement:
The report enables the CCG to provide stakeholders with a summary of financial issues facing the CCG.
Equality Impact Assessment:
The CCG is committed to fulfilling its duty under the Equality Act 2010 and to ensure its commissioned services are non-discriminatory.

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Finance Report

February 2015



Introduction

The purpose of this paper is to present the financial position of the CCG at February 2015. 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 February 2015 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 or unexpected variations from "year-end" processes. 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 fund in-year investments.
- 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, and this is reflected in the forecast position. Further national funding has been announced to address additional activity to meet waiting time targets for

elective activity using the independent sector, and this is being funded on a cost per case basis (CCG has been allocated approximately £600,000 of this in February).

- As in previous years, there is a time lag on the availability of prescribing information and “actual” figures are based on spend to December. 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. There has now been a credit note issued by Northumbria for work in the early part of the year and all three organisations are undertaking detailed data reviews of the underlying activity patterns.

In addition, there has been further significant cost growth in “pass through” drug costs at NCUHT and 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 Trusts have been challenged directly on the level of costs incurred and has provided further information being analysed by the CCG pharmacy leads.

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. The forecast currently reflects the Trusts information. However, it is clear from work looking at underlying activity patterns that across all providers the value of elective work has increased by around 11% since 2012/13 on a “like for like” basis.

- 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 and infrastructure 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 intention is to resolve this issue for both 2014/15 and the 2015/16 contract by the end of March.
- 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 changes in the prescribing arrangements for wound management by community nurses. The CCG has actively challenged CPFT’s proposed figures as the detailed breakdown behind the information provided by CPFT suggests that there are other costs funded within the community services contract included in the charges. A proposal for both 2014/15 and 2015/16 for this issue and neurology pass-through costs has been made as part of the contracting round and again this should be resolved by the end of March.
- 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 confirmed the final contribution value to address this issue and this is reflected in Appendix 1.

- The CCG is currently working on managing the year-end cash-flow in line with the notified limit.

Recommendation

The Governing Body is asked to:

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

Appendix 1: Financial Position February 2015

Financial Position as at 28th February 2015	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)				(677,324)	(677,324)	0
Agreed Adjustments	4,719				5,017	5,017	0
Running Cost Allowance	(12,725)				(12,725)	(12,725)	0
Sub-total	(685,330)				(685,032)	(685,032)	0
Non-recurring Allocations							
Agreed Adjustments	0				(15,724)	(15,724)	0
Surplus	(8,448)				(8,448)	(8,448)	0
Sub-total	(8,448)				(24,172)	(24,172)	0
Revenue Resource Limit 2014/15	(693,778)	(641,882)	(641,882)	0	(709,204)	(709,204)	0
Expenditure Budget 2014/15							
Primary Care							
Prescribing & Medicines Management	88,568	80,912	83,319	2,407	88,568	91,085	2,517
Other Primary Care	4,247	6,031	5,579	(452)	6,581	6,063	(518)
Total Primary Care	92,815	86,943	88,898	1,955	95,149	97,148	1,999
Secondary Care							
NHS Acute Providers (North & West)	187,299	175,899	180,650	4,751	191,441	196,587	5,146
NHS Acute Providers (South)	140,895	131,496	131,985	489	143,264	143,806	541
Non Contract Activity & Independent Sector	4,953	3,659	5,417	1,758	3,992	5,968	1,976
Total Secondary Care	333,147	311,054	318,052	6,998	338,697	346,360	7,664
Mental Health & Learning Disabilities							
NHS Providers	62,891	58,649	58,279	(370)	63,973	63,416	(557)
Packages of Care	11,402	10,457	10,682	225	11,402	11,802	400
Learning Disability Pooled Fund	5,494	4,395	4,395	0	4,795	4,795	0
Total Mental Health & Learning Disabilities	79,787	73,502	73,357	(145)	80,170	80,013	(157)
Services Delivered in the Community							
Community Services	82,824	79,976	81,560	1,584	86,983	88,825	1,842
Out of Hospital Urgent Care	35,199	31,923	31,667	(256)	35,192	34,902	(291)
NHS Funded Continuing Care	29,745	28,280	29,744	1,465	30,738	32,509	1,771
Other Care	4,173	2,306	2,178	(128)	2,516	2,381	(134)
Total Community Based Services	151,941	142,485	145,150	2,666	155,429	158,617	3,188
Reserves							
Planned Investments	6,160	7,083	0	(7,083)	12,235	3,912	(8,323)
2% Non-recurring Investment	8,100	0	0	0	4,872	4,872	0
Planned Contingency	3,387	3,105	0	(3,105)	3,387	0	(3,387)
Total Reserved Funds	17,647	10,188	0	(10,188)	20,494	8,784	(11,710)
Programme & Running Costs							
Total Running Costs	12,299	11,279	10,411	(869)	12,300	11,321	(979)
Other Specific Programmes	1,096	1,814	1,771	(43)	1,929	1,923	(5)
Total Costs	13,395	13,093	12,181	(911)	14,229	13,244	(985)
Total Expenditure Budget	688,732	637,265	637,638	374	704,167	704,167	(0)
Planned Surplus	(5,046)	(4,617)	(4,244)	374	(5,037)	(5,037)	(0)