

NHS North Cumbria CCG Governing Body	Agenda Item
5 April 2017	14

Finance Report February 2017

Purpose of the Report								
The purpose of the report is to provide the Governing Body with an update of the CCG's financial position.								
Outcome Required:	Approve	X	Ratify		For Discuss		For Information	X
Assurance Framework Reference: Financial Balance								

Recommendation(s):
The Governing is asked to: <ul style="list-style-type: none"> • note the contents of the report • approve the proposed arrangements for approval of the 2016/17 Cumbria CCG accounts

Executive Summary:
<p>Key Risks:</p> <p>The attached report identifies the current financial position facing Cumbria CCG for the financial year 2016/17. The CCG is facing a number of cost pressures and is forecasting a deficit of around £2 million greater than the planned £8.5 million. In addition, work is actively on-going with NHSE and NHS Improvement in conjunction with UHMB regarding resolution of the "sparsity payment".</p> <p>Key Issues:</p> <p>These are covered in detail in the attached report but include:</p> <ul style="list-style-type: none"> • Changes to the CCG's revenue resource allocation made during February 2017 • Prescribing remains essentially "on trend" • The full impact of planned cost improvements have not yet been fully phased into the year-to-date position with local providers owing to the timing of implementation. Whilst work is on-going it would be inappropriate not to flag the underlying key message that there is considerable financial risk to the CCG which is most likely to present in the local acute provider positions. This is particularly noteworthy as there were some significant in month variations in both contracts.

Financial Impact on the CCG:

The Financial Risks highlighted in Table 6 of the attached report leaves a potential risk to £2 million as yet unmitigated. In addition, there still remains a risk associated with the potential outcome of the UHMB 2016/17 tariff modification that has yet to be determined with a potential worse case of £5.8 million.

Implications/Actions for Public and Patient Engagement:

There no new implications or actions re public and patient engagement.

Approval of the 2016/17 Cumbria CCG Accounts

North Cumbria CCG is responsible for completing the annual report and accounts for Cumbria CCG for 2016/17 that will cover the period to 31 March 2017. In April 2016 the Full Council of Members approved the Governing Body to Exercise or delegate those functions of the CCG, which have not been retained as reserved by the CCG, to a committee or sub-committee of the Governing Body or to one of its members or employees. It is therefore proposed to seek formal delegation from the Governing Body to enable the Audit Committee to approve the annual accounts on behalf of the CCG at the meeting in May to enable compliance with the NHSE annual reporting timetable. It is important to note that:

- Approval of the accounts is subject to receiving an opinion from the external auditors, Grant Thornton. (i.e. The audited accounts will be approved)
- The approved accounts will be brought to the Governing Body for formal ratification at the Public Meeting on 7 June 2017.

Strategic Objective(s) supported by this paper:	Please select (X)
Support quality improvement within existing services including General Practice	
Commission a range of health services appropriate to Cumbria's Needs	
Develop our system leadership role and our effectiveness as a partner	X
Improve our organisation and support our staff to excel	X

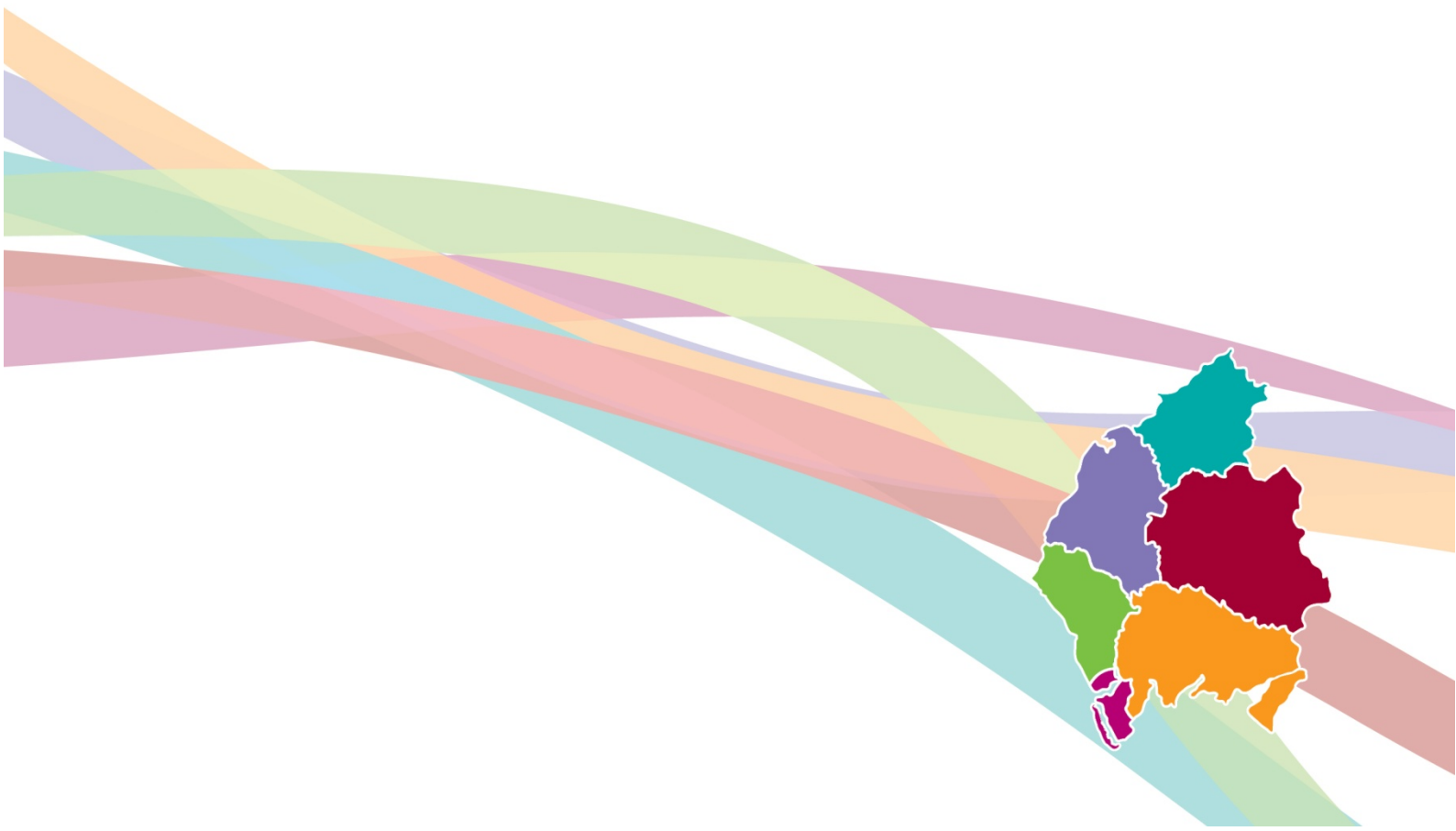
Impact assessment: (Including Health, Equality, Diversity and Human Rights)	No
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Conflicts of Interest Describe any possible Conflicts of interest associated with this paper, and how they will be managed	No conflicts of interest noted
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Lead Director	Charles Welbourn, Chief Finance Officer
Presented by	Charles Welbourn, Chief Finance Officer
Contact Details	Charles Welbourn, Chief Finance Officer
Date Report Written	28 March 2017

Finance Report

February 2017



Introduction

The purpose of this paper is to present the financial position of the CCG at February 2017. 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 on the basis of the most up to date information available the CCG is around £8.8 million overspent in the year to date (compared to £3.2 million at January). In addition to reflecting the significant risk that the CCG faces in relation to the underlying financial trends arising from the year to date activity this position reflects the £5.8 million sparsity payment made to UHMB following direction by NHSE. The CCG has identified a number of mitigating actions to address this pressure and is taking these forward directly with UHMB as detailed later in the report. However, until these are resolved it is considered prudent to reflect these in the year-to-date position. The following report identifies the key risks and therefore what mitigations have to be achieved for the CCG to achieve the planned deficit of £8.5 million. However, while work continues as part of the financial recovery process to deliver further savings the CCG has identified to NHSE the current "most likely" out-turn based on underlying trends would be a further £2 million overspend against the planned deficit before accounting for the final position on sparsity.

Year to date Position

Table 1 shows that the CCG is currently behind the planned position at the end of February by £8.8 million (£3.2 million at January). The UHMB “sparsity payment” is covered in the “NHS Acute providers (South)” variance of £8.9 million and without this cost the overspend would be around £3 million.

Table 1: Year to date Position

Financial Position as at 28th February 2017	2016-17 Budget £'000	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000
Recurring Allocations				
CCG Baseline Allocation	(697,939)	0	0	0
Agreed Adjustments	(21,332)	0	0	0
Running Cost Allowance	(11,277)	0	0	0
Sub-total	(730,548)	0	0	0
Non-recurring Allocations				
Agreed Adjustments	0	0	0	0
Surplus carried forward	0	0	0	0
Sub-total	0	0	0	0
Revenue Resource Limit 2016/17	(730,548)	(676,531)	(676,531)	0
Expenditure Budget 2016/17				
Primary Care				
Prescribing & Medicines Management	92,119	85,008	83,636	(1,372)
Other Primary Care	6,400	5,865	6,039	174
Total Primary Care	98,519	90,873	89,675	(1,197)
Secondary Care				
NHS Acute Providers (North & West)	195,837	180,490	184,483	3,994
NHS Acute Providers (South)	142,224	129,724	138,648	8,923
Non Contract Activity & Independent Sector	7,227	6,802	7,023	221
Total Secondary Care	345,288	317,016	330,154	13,138
Mental Health & Learning Disabilities				
NHS Providers	65,555	58,920	58,540	(380)
Packages of Care	13,332	12,251	12,451	201
Learning Disability Pooled Fund	5,365	4,653	4,718	64
Total Mental Health & Learning Disabilities	84,252	75,824	75,709	(115)
Services Delivered in the Community				
Community Services	81,918	72,023	71,484	(539)
Out of Hospital Urgent Care	41,334	38,054	38,783	728
NHS Funded Continuing Care	36,698	33,746	36,602	2,856
Other Care	7,902	2,148	2,061	(87)
Total Community Based Services	167,852	145,972	148,930	2,959
Reserves	5,616	6,636	0	(6,636)
Better Care Fund	26,849	32,092	33,146	1,054
Total Reserved Funds	32,465	38,728	33,146	(5,582)
Programme & Running Costs	10,682	15,929	15,515	(413)
Total Expenditure Budget	739,058	684,341	693,129	8,789
Planned Deficit	8,510	7,810	16,598	8,789

The following paragraphs provide explanations of the key issues shown in the year-to-date position.

- Changes to the CCG’s revenue resource allocation made during February are shown in Table 2. The adjustments were anticipated and the funding will be

allocated to cover the associated expenditure in year.

Table 2: New Resource Allocations Month 11

Cumbria CCG - Allocations Month 11	Rec/Non -Rec	£'000
Development of Barrow Primary Care Centre	N	350
CYP IAPT backfill Jan & Feb	N	12
TOTAL ADDITIONAL ALLOCATION MONTH 11		362

- The in-year prescribing information covers the period to December extrapolated for the year to date, and is shown after accounting for the planned cost improvement programme. Analysis provided by the NHS Business Services Authority (BSA) on year-to-date showed an improved trend in terms of cost growth compared to both the national and North East & Cumbria trends. The BSA forecast for the year suggests a potential underspend of around £2 million, however as noted in previous months there is expected to be a further benefit in the final quarter from pricing changes to partially offset the funded nursing care increase.
- Table 3 shows the latest position from acute providers aggregated in Table 1 (excluding sparsity for UHMB) and further information is provided in the paragraphs below on the local providers. For other providers the M11 variance has remained consistent with month 10, however it should be noted that there has been a slight improvement at Newcastle and Lancashire Teaching, however this is offsetting a slight deterioration in non-contract activity in month.

Table 3 Overall Acute Provider Performance

Provider	Month 11 Variance £M
North Cumbria University Hospitals	4.2
University Hospitals of Morecambe Bay	2.4
Newcastle upon Tyne Hospitals	(0.6)
Northumbria Healthcare	0.3
Wrightington, Wigan and Leigh	0.1
Blackpool Teaching	(0.1)
Gateshead Health	0.1
Lancashire Teaching Hospitals	0.1
Central Manchester	0.2
BMI/Ramsay/Spire	0.2
Non contract activity	0.0
Other Contracts	0.1
Total	7.0

NCUHT

The following issues are noteworthy regarding the NCUHT contract which is £4.2 million over budget at the end of January. Table 4 provides a comparison of year-to-date activity with both the plan and the same position in 2015/16 at key points of delivery (POD):

Table 4: NCUHT Activity to Date

ACUTE ACTIVITY BY POD	M10 YTD COMPARED TO 15/16		M10 YTD COMPARED TO PLAN	
NCUH	CHANGE	% CHANGE	VARIANCE	% VARIANCE
ACCIDENT & EMERGENCY	7,398	11%	5,252	8%
NON ELECTIVES	383	1%	102	0%
NON ELECTIVE XBDS	1,998	21%	3,462	42%
ELECTIVES/DAY CASES	-701	-3%	-259	-1%
FIRST OUTPATIENTS	-6,529	-13%	-6,999	-13%
FOLLOW UP OUTPATIENTS	-5,093	-4%	3,988	3%
DIRECT ACCESS	-125,789	-4%	-65,030	-2%

- I. A&E Attendances: the year to date trend has continued in M10 with attendances being 4.4% above plan however the position has improved for the second month in a row being cumulatively 7.7% over plan compared with 8% over last month. All of the increase would appear to be around 'minors' and is focussed on self referral and amulance presentation, GP referred patients remains static. This is being resourced through the overall funding arrangements agreed with CHOC as part of a two-year settlement in 2016/17. It is also noteworthy that the increase in A&E attendances has not been matched with similar increases in activity, indeed non-elective activity remains broadly on plan (after accounting for the cost improvement programme) year to date. However, this is not matched with an associated cost reduction owing to case mix impact, the latter situation being mirrored in many providers.
- II. Non Elective Excess Bed Days: there has been a notable increase in non-elective excess bed days in the year to date which continued in M10. The main areas of over-performance are orthopaedic trauma and respiratory. The issue of delayed transfers of care and links to social care continue to be addressed through the A&E delivery Board and January's figures continued in line with the previous month. It should be noted that January's figures include an estimate of 53 bed days relating to a spell which has not yet been discharged, this may revert to specialist commissioning when fully coded on discharge.
- III. Overall elective care (elective in-patient, day case, out-patients including procedures) is marginally under plan to date. The November, December and January follow-up out-patients volume continued to show a significant increase which the CCG believes is due to the new PAS system not identifying all

outpatient procedures correctly and further investigation continues to be undertaken with the Trust.

- IV. The costs of drugs and devices continue to overspend (17% over in January) although there is an expectation that the gain-share arrangements agreed in the contract should have an impact later in the year. The trust has now confirmed all patients on infliximab have been transferred to biosimilars.

UHMB

The position at UHMB at January shows an overall overspend of £2.4 million excluding the sparsity payment. Table 5 provides a comparison of year-to-date activity with both the plan and the same position in 2015/16 at key points of delivery (POD):

Table 5: UHMB Activity to Date

ACUTE ACTIVITY BY POD	M10 YTD COMPARED TO 15/16		M10 YTD COMPARED TO PLAN	
UHMB	CHANGE	% CHANGE	VARIANCE	% VARIANCE
ACCIDENT & EMERGENCY	1,131	3%	1,782	5%
NON ELECTIVES	-353	-2%	-325	-2%
NON ELECTIVE XBDs	4,445	34%	6,264	56%
ELECTIVES/DAY CASES	-287	-1%	-730	-3%
FIRST OUTPATIENTS	-1,537	-3%	-1,662	-3%
FOLLOW UP OUTPATIENTS	-3,768	-3%	108	0%
DIRECT ACCESS	27,853	1%	32,164	1%

- I. A&E Attendances: A&E attendances at UHMB had been relatively steady until an increase since April, with attendances in May reaching the highest level in the last 15 months. May activity was 10% higher than April and it was 15% higher than the same month last year but at January the overall cumulative activity figure is now around 5% over plan, a decrease from the 6% reported at December. As with NCUH, most of the increase is in referrals from the emergency services and self-referrals, with those from GPs remaining steady. The pattern in terms of complexity of cases is also similar to North Cumbria with most of the increase being in the lower cost attenders.
- II. Non-elective activity: The cost of non-elective spells in respiratory cases is above plan, relating mainly to pneumonia, digestive system spells and kidney or UTI with overspends in a number of areas including some high cost/low volume procedures. The cumulative over-performance remains at 1.8% above plan in financial terms with activity remaining below plan suggesting an increase in case mix.
- III. Excess bed days: Again a similar position to North Cumbria but the key concern is that the absolute number of excess bed days at UHMB is higher than the North despite lower activity (i.e. the ratio of spells to excess bed days equates to

1:1 compared to just over 2.2:1 in the North). There has been significant system intervention across the Morecambe Bay footprint to look at new ways to address this problem, and reductions are required to deliver the capacity plans for Better Care Together in 2016/17. It should be noted that in January there were a number of single, long stay cases with total excess bed days being 64% above plan.

- IV. Elective Activity: The Trust is reporting concerns that non-elective activity (e.g. excess bed days) is compromising the ability to deliver elective work. However, in financial terms the year to date cost of electives was in line with plan while activity remains 3% below. First outpatients were below plan with follow-up outpatients being slightly above plan in month in terms of activity and cost. The year to date position remains underspent for first outpatients.
- V. Direct Access activity in January is 5% above plan, in financial terms the costs are 7.8% above plan in month. The reduction in activity over the last two months has not been sustained. The CCG is investigating the impact of the revised pathway implementation in relation to the extent of adoption of map of medicine.
- There has been some re-profiling of the activity within the ambulance contract (which is held at a North West level) which was reviewed for Cumbria in the July contract meeting. Compared to plan emergency ambulance calls are 4.3% up on plan and incidents nearly 9.8% over plan, this continues to be an improvement compared to previous months. Following a mediation (that formed part of the 2017-19 contract process) an agreed settlement for 2016/17 has been agreed based on an extrapolation of the year to January 2017. Thus, the impact of the urgent care hub is not going to have a material impact on the financial position although the final overspend of circa £1.1 million is significantly less than that forecast in the year.
 - The continuing health care (CHC) packages budget includes the planned cost improvement target. As reported in June the Department of Health announced new national prices for NHS Funded nursing care that represented a 40% increase on previous cost, the financial impact will be around £1.7 million for Cumbria CCG. Following the national review of FNC prices in January it has now been confirmed that there will be no further changes to the 16/17 FNC tariff; any further changes will take effect from 1st April 2017. The CCG has paid the FNC arrears and therefore the cost is reflected in the year to date position. As part of the cost improvement process the CCG has brought in some additional management support for CHC to seek opportunities for short-term savings in addition to undertaking a system-wide review of processes with the aim of improved standardisation. The current financial position shows a significant pressure which mainly relates to FNC and IFR approved packages of care.

- The unallocated funds and contingencies stand at around £4.1 million after setting aside funds for FNC and RTT as previously outlined (see Table 6 below).
- The CCG has made a proposal on potential risk share arrangements related to delayed transfers of care in the Better Care Fund contract and has now received a counter proposal from Cumbria CC. Following further negotiation with Cumbria CC this position has improved by £250,000 and there may be further mitigation delivered from some of the “NHS” BCF schemes.
- The freeze on vacancies is generating an under spend of approximately £200,000 year to date on the pay bill along with the receipt of additional income.

Financial Forecasts & Risks

Table 6 below shows the following key figures to assess the level of risk that needs to be mitigated:

- Column A shows variance at month 11 at high level budget line (as per **Table 1**) after adjusting for the sparsity payment.
- Column B provides an estimated full year position based upon underlying trends and any known expected variation, including current projected impact of the CIPs for the remainder of the year and other projections based on underlying trends and other interventions.
- Column C identifies further known risks and opportunities not reflected in the year to date figures, being essentially further prescribing savings as a result of projected drug cost reductions, unallocated contingencies, contract mitigations and CIP risk.
- Column D provides an overall risk element to address after building in the following identified mitigations:
 - “Windfall” slippage in the investment plan of £0.9m owing to delays in implementation predominantly owing to recruitment issues.
 - Clawback in funds in line with contractual arrangements.
 - Release of uncommitted reserves and anticipated funding not yet received to cover costs incurred (e.g. GPIT funding)

It is important to note that a further likely saving £1.0m from non-recurrent measures has been identified from the work undertaken with the local health economy reducing the “business as usual risk to approximately £2.0m”.

Table 6: “Base Case” Risk to be Addressed

Financial Risks	(A)	(B)	(C)	(D)
	Variance YTD February £'000	FYE Variance based on YTD £'000	Risk Adjusted £'000	Forecast Variance from Plan £'000
Primary Care				
Prescribing (Based upon M9 actuals & PPA Forecast)	(1,372)	(1,500)	(345)	(1,845)
Other Primary Care	174	200	0	200
Sub-total	(1,197)	(1,300)	(345)	(1,645)
Acute Secondary Care (based upon M9 actuals)	7,338	8,049	378	8,427
Mental Health & Learning Disabilities	(115)	(192)	264	72
Services in the Community				
CHC	2,856	3,000	0	3,000
Emergency Ambulance	728	940	0	940
Other Community	(626)	(430)	(330)	(760)
BCF	1,054	1,150	0	1,150
Sub-total	4,012	4,660	(330)	4,330
Reserves	(6,636)	(3,094)	(4,118)	(7,212)
Running & Programme Costs	(413)	(500)	(300)	(800)
Total Variance	2,989	7,623	(4,451)	3,172

Work is continuing to identify further savings opportunities (including slippage), source additional funding and work collectively with the local system to deliver further savings.

Sparsity Payment to UHMB

As previously noted NHSE had advised the CCG that a potential outcome would be that the CCG would need to make good the “sparsity value” for Furness General Hospital equating to £5.8 million. Acting upon direction from NHSE the CCG has made a payment of £5.8 million to UHMB in early March and this is reflected in the year to date position shown in table 1. Having made such a payment the CCG has written to UHMB identifying a number of proposed mitigations off-setting the risk. The actions would effectively eliminate the risk and the CCG has commenced a process of negotiation with UHMB to take forward. This updated information has been provided to NHSE in February to show the approach to mitigation and was also included in the CCG’s financial recovery plan submitted to NHSE in October. However, it is important to acknowledge that resolution of this issue remains critical to the overall CCG risk.

Next Steps

It is important to note that work continues to identify and implement further opportunities to reduce costs and offset collective risks in the local health economy, contingent on the contract settlement with UHMB.

Recommendation

The Governing Body is asked to NOTE:

- The year-to-date financial position at February and the associated risks.
- The most likely financial out-turn being a further deficit of £2 million before resolution of the “sparsity” issue.