

NHS SOUTHEND CCG GOVERNING BODY MEETING IN PUBLIC
27TH NOVEMBER 2014

2014/15 MONTH 7 (OCTOBER) FINANCE REPORT

1. Introduction

1.1 This paper sets out the current and forecast financial position of the CCG at month 7 of the 2014/15 financial year.

2. Report

2.1 The CCG's opening allocation for 2014/15 was £216.3m, and adjustments to our allocation in previous months, as reported to this committee, increased the allocation to £217.7m by last month. There have then been two allocations adjustments this month totalling a net reduction of £2.7m:

- £177k RTT residual funding allocation
- £2,548k Winter resilience funding (1st & 2nd tranche)

The allocation is therefore now £220.3m as at month 7 (prior to the reduction for the repayment of the 2013/14 deficit as noted in 2.3 below)

2.2 The CCG is reporting a deficit of £1,230k against a cumulative budget of £127,082k in October, with the forecast deficit of £2,134k maintained in line with the CCG plan as agreed with NHS England.

2.3 The deficit position at month 7 is largely in line with the planned deficit of £1,245k.

	<u>YTD</u> <u>Budget</u>	<u>YTD</u> <u>Actual</u>	<u>YTD</u> <u>Variance</u>	<u>Annual</u> <u>Budget</u>	<u>Forecast</u> <u>Outturn</u>	<u>Forecast</u> <u>Variance</u>
Cumulative Position*	127,082	128,312	1,230	220,300	222,434	2,134

*note - this is the in year position. Following the repayment of the 2013/14 deficit the Annual Budget reduces by £3.1m, and the forecast variance deteriorates by the same value.

2.4 The CCG's financial position continues to be significantly influenced by spend within three key areas:

- Services undertaken within hospitals (Acute), most notably with Southend University Hospital NHS Foundation Trust
- Medicines Management, in particular through GP Prescribing.
- Individual Packages of care, including Continuing Healthcare.

2.5 Failure to tightly control spend within these areas will have a detrimental effect on the CCG's financial position.

<u>Key Contracts/Spend</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>YTD Variance</u>	<u>Annual Budget</u>	<u>Forecast Outturn</u>	<u>Forecast Variance</u>
SUHFT	54,885	55,176	291	93,390	94,244	854
Prescribing	14,550	15,542	992	24,943	25,919	976
CHC Packages & Assessments	9,781	11,467	1,686	16,768	19,180	2,412

2.6 The risks identified below at month 7 that have not been included within the forecast and may come to fruition in future months are:

- Acute Growth. The position assumes an element of over-performance on the SUHFT contract, and assumptions on other contracts in line with information received. Any additional acute activity would impact on the achievement of the current forecast position.
- Continuing Healthcare. The CCG has used the forecast utilising information provided by the Commissioning Support Unit. This assumes growth remains in line with the previous year.
- Non-QIPP delivery (see below)

These risks are further analysed in section 2.29 (below)

2.7 It has been reported in previous finance reports that up to May, prescribing data from NHS Business Services Authority (NHSBSA) did not include a forecast position. Forecasts are now being received which, coupled with expected delivery of the CCG's QIPP programme for this area, show a position that is in line with our forecast previously reported.

2.8 New information around the increase in price for cat M drugs has however added a further cost pressure to the prescribing budgets of approx. £180k, the impact of which is still being assessed by the CCG.

2.9 The CCG has limited options available to mitigate further deterioration in the position. As at Month 7 the CCG has just over £0.4m of uncommitted funds within its contingency, with over £5.3m being required to offset overspends reflected in the Month 7 forecast position.

QIPP

2.10 The forecast position very much relies on the QIPP delivery programme. This programme continues to be reviewed by the Head of PMOI and QIPP and the full executive team on a weekly basis to ensure that delivery both for 2014/15 and 2015/16 will contribute as required to the overall financial position of the CCG.

2.11 At Month 7 the financial position assumes QIPP delivery in future months in line with the latest QIPP tracker and assessment by project leads. This requires delivery of £6.3m of financial benefit in the current financial year, of which just under £6m is currently green or amber rated in terms of financial delivery, leaving a risk of just under £0.4m.

2.12 Slippage against the programme will impact on the financial position of the CCG in the current and future years. The organisations Financial Recovery Plan includes an assessment on the robustness of the current plans, and includes an estimation of the schemes considered to be 'deliverable'.

Financial Detail

- 2.13 Attached at Appendix 1 is a detailed breakdown. The narrative below summarises the position on an exception basis for key areas of expenditure and risk.

Southend University Hospital Foundation Trust

- 2.14 The agreed contract value for SUHFT is £92.2m. This includes the risk share element of the contract and reflects the financial and activity model. In addition, funding for RTT work has increased the budget allocation to £93.4m at month 7.
- 2.15 We have received up to month 6 flex data. Based upon the information received, and QIPP modelling, it is assumed that the contract will over-perform by £1.2m, which is has stabilised compared to last month. It was anticipated during contract negotiations that this contract would over-perform by £1.5m and this has now been built into the contract value.
- 2.16 It has been assumed the CCG utilise the contingencies of the CCG to cover this current over performance. Discussion relating to the delivery of the joint investment plan to reduce activity will bring the activity back to plan with on-going discussion relating to the contract being undertaken by the recovery director. This reduction is not reflected in the position it assumes that this will not deliver in this financial year.

Continuing Healthcare/Individual Packages & Free Nursing Care

- 2.17 The continuing healthcare budget continues to over spend in line with previous month. A report has been produced which looks at all the clients within the CCG and this has shown that a significant saving can be made which will contribute to the delivery of the QIPP target indicated below. The report also shows where the process can be improved and tighter controls. An action plan is now being developed to advance the recommendations within this report and neighbouring CCGs have been advised where responsibility for individual packages of care may be transferred.

It has been assumed that the CCG shall deliver efficiency savings of £731k against these forecasts (£20k reduction from the previous forecast).

Medicines Management

- 2.18 The forecast outturn on this budget was previously increased to a £0.5m over spend last month to reflect the fact that plans had been based on the month 9 actual for 13/14. Therefore the budget has a shortfall due to under accrual of outturn based on outturn data from the NHSBSA. This resulted in a £260k non recurrent charge to prescribing and a lower level of projected outturn on spend as a starting point for budget setting.
- 2.19 The NHSBSA provide forecasts for Prescribing spend from June data which have now been received. This indicates a forecast which, when coupled with the anticipated delivery of the QIPP programme in this area, is in line with our forecast position which has increased by £0.5m to reflect the current position.
- 2.20 The forecast is based on QIPP continuing to deliver to plan. The current forecast noted above means that the plans to deliver no growth within the QIPP schemes will not deliver a balance budget for prescribing. Further opportunities are now being reviewed by the executive team to contribute towards this position.

Other Programme Costs

- 2.21 The majority of the other contracts are lower risk either as a result of the contractual mechanism (such as block arrangements), or financial value.
- 2.22 Where variances to plan become material, as defined in section 2.13, further analysis shall be undertaken and reported through the CCG. At month 7 two variance met the criteria.
- Drugs and devices spend with SUHFT where the forecast has increased based on the latest forecast position in this area from the CSU.
 - Adult continuing health care. The forecast is based on the latest forecast from the CSU CHC team and take account of current activity and growth forecasts

Running Costs

- 2.23 Running Costs are currently showing an overspend year to date of £668k. This is higher at present as we have a higher reliance on interim staff (year to date spend £646k) which will reduce during the year, and an exit plan is in place. The organisation has recruited to a number of interim posts to support the CCG in its recovery in advance of finalising future structures.
- 2.24 In the absence of detailed national guidance, the CCG has reviewed the definition of Running Costs to ensure the organisation reports spend appropriately and to confirm our forecast in respect of this target. A paper has been taken to the CCG's Audit Committee and the QFP Committee meeting which makes recommendations for a change in the methodology of accounting for running costs in line with HM Treasury guidance, guidance from NELCSU on running costs and generally accepted accounting treatment of this activity.
- 2.25 The result of the revised methodology confirms that the CCG will achieve the running costs target for 2014/15. However it should be noted that this does not impact on the actual expenditure in this area, and at present it is assumed in this report that the overspend compared to opening budget shall be met from the limited contingencies held by the organisation.

CSU Costs

- 2.26 As a result of the close of Central Eastern CSU, the CCG assessed the delivery options for each service previously provided by CECSU. This work was undertaken over the months following the decision to close CECSU in April so that services were ready for continued operation from 1st October regardless of provider.
- 2.27 The finance paper presented last month detailed the services moving to different providers, the net change in price of which is a full year increase of £24k.
- 2.28 CSU Stranded costs. The CCG is forecasting a contribution towards the stranded costs associated with the close of Central Eastern CSU. These costs are under review in terms of the final amounts that the CSU legacy team are requesting payment for. At this stage 70% of potential costs have been invoiced for by the CSU and it is expected that further redeployment of staff placed at risk will reduce the requirement for any further contribution, but this cannot be confirmed at this stage. This 70% contribution is reflected in the position.

Forecast Risk and Contingencies

2.29 The CCG has undertaken a risk analysis of the forecast position. As noted in section 2.6, there are key areas of risk that have been identified in the preparation of our forecast position. These are further detailed below:

- Acute contract performance, especially for Southend Hospital, accounts for 75% of acute activity for the CCG. Key risks relate to the final settlement of 2013/14 contractual position (which could be between a £0.4m benefit and a £1.0m risk) and the potential for over-performance in 2014/15. The commissioners (SCCG and CPRCCG) have met to discuss this financial position but have not yet agreed a final position with the Trust as this may now be linked to looking to confirm a stable contractual position for the current financial year as part of the final negotiations for the 2013/14 position.
- CHC activity. This area has seen significant growth over recent years nationally, not just within Southend CCG. Our forecast has been adjusted to allow for the latest forecast position, an increase of £2.4m over budget and £4.4m over last year's activity, with similar levels of growth built into our future planning. This remains however a volatile area of activity which is being mitigated in part by the reviews both of the patient population base and ensuring that the activity that our confirmed population receives is appropriate. This is a strong area of our QIPP plans, with £0.75m financial benefit included in our forecasts in this area in the current financial year.
- Prescribing costs. The recent receipt of NHSBSA forecasts largely support the CCG's forecasting for GP prescribing costs, but only as a result of a significant QIPP programme which is forecast to deliver £1.35m of financial savings in this financial year. Performance to month 7 is strong, with a small element of over-delivery to date. Future activity though remains a concern and while we have a challenging QIPP target again for 2015/16, long term opportunities for cost savings will become more difficult over time. In the short term, an increase in Cat M drugs has been notified recently will have an impact on the 2014/15 forecast and this is currently being assessed by the medicines management team
- All areas of activity within the CCG will carry an element of financial risk, although these are considered a low risk by the CFO.
- Running costs. Although the overall running costs of the CCG are contained within our forecasts, we have, as noted elsewhere in this paper, a target that limits running costs to £25 per population head. This target is currently overspending and so there is a risk of non-achievement by year end if the revised methodology for accounting for running costs is not implemented. The actual expenditure however, in particular the level of interim costs, remains a medium level risk for 2014/15 while high, albeit planned to decrease over the remainder of the financial year
- CSU Stranded costs. As noted above, while the CCG is forecasting a contribution towards CSU stranded costs, the outcome of discussions between all Essex CCGs and NHS England as to the level of this contribution is on-going and as such represents a risk of variance to the forecast position of the CCG (which could be an improvement in the forecast position if the costs are mitigated by redeployment of at risk staff or if NHSE provide a higher contribution instead of CCGs).

- The net range of financial assessments of the key risks is between £0.4m further overspend and £6.1m improvement against our forecast of £2.1m deficit. The monitoring of this risk remains a high priority for the financial year.
- 2.30 The CCG has set aside a level of contingency in its plan which included an estimate for unidentified risks. Initial intentions were to use some of these funds to enable change within the system.
- 2.31 Due to the precarious financial position of the CCG it is expected that the remaining contingency funds are held to offset the key risks identified in this paper, notably QIPP non-delivery and over-performance on key contracts.
- 2.32 The current unallocated forecast contingency is £0.4m.

Contracting Performance (Financial)

- 2.33 Contracting detail is provided for month six, again based upon August flex and freeze and September flex data.

Southend University Hospitals NHS Foundation Trust

The following table summarises the contracting position at Month six. To date the contract has over performed by £617k year to date, however there are some trends within this figure that need monitoring as follows;

- Non Elective activity is above plan by £703k at full cost.
- Direct Access – has stabilised and is currently at just below plan.
- Elective activity is above plan. This is partly due to the additional RTT activity which the additional budget is not reflected in the figures below. The additional resource is reflected in the overall financial position.
- Fines and Challenges – Are above the plan but this is based on an estimate of the level of fines that maybe accepted. These are currently being finalised for quarter 1.
- Maternity services – This is still in line with plan.

<u>Contract Spend Areas</u>	<u>YTD Actuals £000's</u>	<u>YTD Contract £000's</u>	<u>YTD Variance £000's</u>
Non Elective	16,965	16,262	703
Direct Access	1,963	2,053	(90)
Elective & Day Case	10,719	9,861	858
Outpatients	9,769	9,176	593
Audiology	343	284	59
Other & Block	791	778	13
CQUIN	465	456	9
Better practice tariff	310	339	(29)
Critical Care	1,753	1,971	(218)
Rehabilitation	342	605	(263)
Accident and Emergency	2,307	2,616	(308)
Fines & Challenges	(914)	(402)	(513)
Maternity Services	3,997	4,001	(4)
Productivity & Efficiencies	(1,838)	(1,645)	(193)

Total	46,972	46,355	617
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Basildon & Thurrock University Hospitals NHS Foundation Trust

The following table summarises the contracting position at Month six. To date the contract has over performed by £164k year to date, however there are some trends within this figure that need monitoring as follows;

- Planned care is exceeding contract, especially in day case surgery. Given their challenges on RTT.
- Non Elective activity continues to exceed plan

Contract Spend Areas	YTD Actuals £000's	YTD Contract £000's	YTD Variance £000's
Non Elective	382	304	78
Direct Access	24	18	6
Elective & Day Case	395	348	47
Outpatients	643	598	45
Other & CPC	107	89	18
CQUIN	41	38	3
Un-coded activity	21	0	21
Critical Care	41	67	(26)
Risk Share adjustment	(32)	0	(32)
Accident and Emergency	51	48	3
Fines & Challenges	(7)	(7)	0
Productivity & Efficiencies	0	0	0
Total	1,667	1,503	164

Spire - Wellesley Hospital

The following table summarises the contracting position at Month six. To date the contract has underperformed by £132k year to date this has moved closer to plan since month 5 and there are no overall concerns at the current time;

Contract Spend Areas	YTD Actuals £'000s	YTD Contract £'000s	YTD Variance £'000s
Elective & Day case	1220		
Out patients	343		
Un bundled Diagnostics	36		
Total	1600	1732	-132

BMI – Southend

The following table summarises the contracting position at Month six. To date the contract has over performed by £97k year to date. If this trend continues the predicted spend will be c£582k against a budget of £387k.

Contract Spend Areas	YTD	YTD	YTD
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	<u>Actuals</u> £'000s	<u>Contract</u> £'000s	<u>Variance</u> £'000s
Elective & Day case	203		
Out patients	88		
Total	291	194	97

South East Essex Partnership Trust

This is a block contract and as such present no financial challenges this month. Full activity analysis will be provided from August onwards to allow for monitoring of activity flows as part of QIPP schemes. The contract values are £19.7m and £11.5m for Mental Health and Community Services respectively.

3. Other Financial Measures

- 3.1 The CCG current position in respect of debtors, creditors and the Better Payment Practice Code is shown in Appendix 2.

4. Conclusion

- 4.1 The CCG is currently on target to deliver it's agreed year-end financial position of a £2.1m deficit. However, the scale and pace of QIPP delivery in 2014/15 remains a significant risk to delivery of the year-end position.

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APPENDICES	
Appendix 1	Detailed Financial Position
Appendix 2	Other Financial Measures

Appendix 1

Quality, Finance & Performance Committee Summary Table

Month 7	YTD Budget	YTD Actual	YTD Variance	Annual Budget	Forecast Outturn	Forecast Variance	Prior Month forecast Outturn	Prior Month Forecast Variance
	£000	£000	£000	£000	£000	£000		
Southend University Hospital Foundation Trust	54,885	55,176	291	93,390	94,244	854	94,244	0
Other Contracted Activity	4,080	3,946	(134)	6,994	6,606	(388)	7,494	(888)
Ambulance Services	3,686	3,686	0	6,318	6,318	0	6,318	0
SUHFT Drugs & Devices	2,283	2,164	(119)	3,914	4,404	490	3,914	490
Spire	2,021	1,971	(50)	3,465	3,705	240	3,705	0
Mid Essex Hospital NHS Trust	1,837	2,057	220	3,149	3,387	238	3,429	(42)
Basildon & Thurrock University NHS Foundation	1,875	1,940	65	3,146	3,238	92	3,238	0
Non Contracted Activity	723	722	(1)	1,240	1,240	0	1,240	0
Community based acute services	855	661	(194)	1,466	1,066	(400)	1,066	0
Non NHS Acute Services Other Providers	361	372	11	619	713	94	713	0
ASD Assessment Service	33	33	0	57	57	0	57	0
Acute Services	72,639	72,729	89	123,758	124,978	1,220	125,418	(440)
Adult Continuing Healthcare Packages	9,603	11,274	1,671	16,463	18,875	2,412	18,375	500
Reablement	569	569	0	976	976	0	976	0
Child Continuing Healthcare Packages	282	253	(29)	483	483	0	483	0
Funded Nursing Care (FNC)	233	189	(45)	400	307	(93)	307	0
	39	90	51	66	66	0	66	0
CHC Assessment Teams	178	193	15	305	305	0	305	0
Continuing Healthcare/Individual Packages, FNC and Reablement	10,904	12,568	1,664	18,693	21,012	2,319	20,512	500
GP Prescribing	14,550	15,542	992	24,943	25,919	976	25,443	476
Out of Hours & 111	1,161	1,163	2	1,991	1,991	0	1,991	0
Other Drugs Charges	467	394	(73)	801	786	(15)	786	0
Referral Management	250	252	2	428	432	4	432	0
Oxycodone	159	179	20	273	273	0	273	0
Primary Commissioned Services	118	133	15	203	186	(17)	186	0
Prescribing Incentives	88	88	0	150	150	0	150	0
Primary Care	16,794	17,752	958	28,789	29,737	948	29,261	476
Mental Health Services South Essex Pshp Trust	11,548	11,509	(38)	19,796	19,730	(66)	19,730	0
Mental Health Services Voluntary Sector	418	426	8	717	688	(29)	688	0
Mental Health Services Non Contracted Activity	122	102	(20)	210	210	0	210	0
Child & Adolescent Mental Health Services	578	578	0	991	991	0	991	0
Mental Health Services	12,666	12,616	(51)	21,714	21,619	(95)	21,619	0
SEPT	6,750	6,769	19	11,572	11,572	0	11,572	0
Non Urgent Patient Transport Services	365	433	69	625	675	50	675	0
Income Contribution CICC	(124)	18	142	(213)	(17)	196	(17)	0
Community Services	6,991	7,220	229	11,984	12,230	246	12,230	0
Contingency	3,343	0	(3,343)	6,691	2,778	(3,913)	2,890	(112)
Community Estates Charges	1,040	1,040	0	1,783	1,500	(283)	1,500	0
Resilience Funding	173	173	0	2,548	2,548	0		2,548
Hospice Services	368	368	0	631	631	0	631	0
Other Community based care	299	99	(200)	513	254	(259)	254	0
GPIT	386	419	33	662	662	0	662	0
Commissioning Other	176	113	(63)	301	118	(183)	118	0
Other Programme Service & Contingency	5,785	2,212	(3,573)	13,129	8,491	(4,638)	6,055	2,436
Total Running Cost Allocation	2,547	3,215	668	4,367	4,367	(0)	4,614	(247)
2014/15 Deficit Budget	(1,245)	0	1,245	(2,134)	0	2,134	0	0
Cumulative Position*	127,082	128,312	1,230	220,300	222,434	2,134	219,709	2,725
<small>*note - this is the in-year position</small>								
Revised position	127,082	128,312	1,230	217,155	222,434	5,279		222,434
Deficit Budget - 14/15 and 13/15 M9	(1,245)	0	1,245	(5,279)	0	5,279		0
Deficit Offset	(1,245)	0	1,245	(5,279)	0	5,279		0

Footnote - following the repayment of the 2013/14 M9 deficit the annual budget reduces by £15m, and the forecast variance deteriorates by the same value.

Appendix 2

Other Financial Measures

A. Debtors

The CCG Aged Debtors position is as per the table below:

	Total Amount £	1-30 Days £	31-60 Days £	61-90 Days £	90+ £
NHS	134,291	92,357	19,457	13,130	9,347
Non NHS	30,776	-	12,795	-	17,981
Total Debtors	165,067	92,357	32,252	13,130	27,328

B. Creditors

The CCG creditors position is as per the table below

	Total Amount £	1-30 Days £	31-60 Days £	61-90 Days £	90+ £
NHS Trusts	-283,330	27,108	3,854	-11,544	-302,748
NHS CSU	0	0	0	0	0
NHS CCG	0	0	0	0	0
Non NHS	220,765	170,152	20,364	9,986	20,264
Other	5,989	2,407	1,600	0	1,983
Total Creditors	-56,574	199,667	25,818	-1,558	-280,501

C. Better Payment Practice Code

Better Payment Practice Code	Number	£'000
Non-NHS Payables: CCG		
Total Non-NHS trade invoices paid in the year	5,496	14,633
Total Non-NHS trade invoices paid within target	4,946	13,402
Percentage of non-NHS trade invoices paid within target	89.99%	91.59%
NHS Payables: CCG		
Total NHS trade invoices paid in the year	1,339	98,727
Total NHS trade invoices paid within target	985	95,794
Percentage of NHS trade invoices paid within target	73.56%	97.03%