

NHS Castle Point & Rochford CCG Governing Body
Part 1 – Public
31st January 2019

Agenda item 08

Finance Report Month 9 2018/19

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Status: For Review and Noting

Appendices to this report	
Appendix 1	<ul style="list-style-type: none">• Financial Performance at Month 9
Appendix 2	<ul style="list-style-type: none">• Finance Slide Pack
Associated Papers	
None	

Introduction

1. In terms of Finance, the CCG has a two main statutory duties being:
 - a. A duty to ensure that expenditure in a financial year does not exceed the allocated budget, and
 - b. To keep proper accounts & financial records in relation to the accounts and to have these audited.
2. This report covers exceptions or key messages of which committee members need to be aware.

Background

3. At Month 9, the CCG has received the following allocation;

	<u>Recurrent</u>	<u>Non-Recurrent</u>	<u>Total</u>
<u>CATEGORY</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Programme	233.3	4.0	237.4
Primary Care Co-Commissioning	23.6	(0.2)	23.4
Running Costs	3.9	0.0	3.9
			264.7

Key Messages for the Period ended 31st December 2018

4. Appendix 1 shows more detail of the year to date (YTD) and forecast spend to achieve the year-end financial plan of breakeven.
5. The forecast overspend within the Joint Committee Acute service SLAs is included in the finance pack for information and is discussed in more detail at the Joint Finance and Performance Committee.
6. The forecast overspend within Non Joint Committee Acute services of £1.5m is largely a result of;
 - Provider charges for work undertaken in 2017/18 in excess of creditors raised in the CCG's 2017/18 accounts; £0.5m overspend, and
 - The net value of the budgets set aside for additional activity (for Acute activity over and above that within contracts) and the non-contractualised acute QIPP which the CCG was seeking to identify in-year (£1m overspend).

Both of these budgets were considered when agreeing to the block contract with the MSB group, and it was felt that the agreement to the block contract, whilst giving rise to this adverse variance, mitigated the CCG's exposure to risk for the remainder of the year. This overspend is offset by the CCG's contingency reserve, which was the final mitigation to the agreement of a block contract.

7. The overall YTD overspend in Acute and other Programme services is offset primarily by under-spends in Primary Care, Prescribing, Continuing Healthcare and the CCG's Contingency reserve.

8. Whilst on track to over-deliver this year, the QIPP programme continues to be challenging and is mitigated through the block contract agreement with the MSB Group.
9. Detailed below are the material changes in the reported forecast outturn position since month 8;
 - A deterioration in Acute NCAs of £0.4m, based on invoices received, many of which have been received in the last month, given the national agreement of balances exercise takes place in month 9.
 - Reduction in ophthalmology expenditure of £0.2m to recognize the latest outputs from the CCGs recovery action plan with it's associated Providers.
 - The forecast income recovered from other South Essex CCGs for the use of Rawreth and Clifton has been prudently reduced by £0.1m to reflect the latest trends in activity data.
 - CHC expenditure is forecast to be £0.2m higher than that reported at month 8, based on the outputs from the Broadcare system.
 - A reduction in the residual, uncommitted forecast spend of £0.5m against the CCG's cost pressure reserve. Whilst lower than that forecast last month, this still gives mitigation against any further unforeseen risks materialising before year-end.

Risks & Opportunities

10. The CCG has reported a balanced risk position to NHSE. In Month 9 the CCG has reported financial risks of £1.3m, all of which are considered to be fully mitigated.
11. Ensuring that the CCG delivers its financial position remains challenging as there are still a number of volatile areas of spend that may have an impact on the financial position.
12. The key risks to the CCG currently identified as:
 - i. **QIPP Schemes**

The CCG has an overall gross QIPP target of £11.9m, equating to 4.6% of the total CCG allocation. At the end of Month 9 the CCG forecasts actual delivery against the QIPP programme of £12.6m (106% of the plan). This represents a considerable challenge, and is largely supported by significant QIPP embedded in the acute block contract, continued achievement of this is critical to avoid a review of the block arrangement in the current or future years.
 - ii. **Acute Over Performance**

The JCT continue, to explore the over-performance risk with the acute hospitals where the CCG is an associate to the main contract contract these remain on a PBR basis, especially the London hospitals. In addition, the CCG has also requested that attention is paid to planned care private providers. The risk to further over performance has been estimated to be £0.2m but this remains a volatile area.

iii. **CHC Growth/Price Increases**

A risk to the forecast outturn is growth in unforeseen new high cost patients or demand exceeding the plan. This has been estimated at £0.4m at month 9, this remains a volatile area of spend. Finance are working closely with the CHC lead to fully understand any further movement in this area.

iv. **Prescribing**

Prescribing remains a high risk to the stability of the financial position mainly concerning unforeseen price increases and limited prescribing data (received to month 7). A financial risk due to the NCSO pressure of £0.4m has been identified as a risk to the position, which currently appears to be offset by fortuitous gains.

v. **SUHFT Settlement 2017/18**

As previously noted, the CCG has still to finalise the 2017/18 position with SUHFT, though discussions are ongoing. Whilst there is a risk of the settlement value exceeding the creditor balance in the CCG's accounts, the likelihood of this is considered to be low.

13. The key opportunities for the CCG at this stage include:

i. **Uncommitted Reserves.**

ii. **Other budget underspends, fortuitous or otherwise.**

iii. **Further QIPP extensions (unlikely at this stage)**

iv. **Additional non recurrent allocations**

MSB Group

14. The financial forecast outturn position reported reflects the agreed block contract value.

15. As noted above, the CCG is working on finalising the 2017/18 final contract position, which will allow the CCG to move into 2019/20 with no unknown cost pressures.

16. The CCG has commenced planning for QIPP scheme delivery for the 2019/20 contract. This should be easier to agree as the block agreement is for three years provided the block contract continues unaltered. The risk remains that no additional QIPP is jointly agreed, and therefore the CCG may be unable to remove further cost from the acute area of the budget. As the finance team move into the planning period of the financial calendar, this will be explored in more detail with the committee being updated accordingly.

QIPP

17. The CCG is forecasting that it will deliver £12.6m of QIPP in 18/19, £0.7m in excess of it's £11.9m target.

18. Year to date QIPP delivery stands at £8.6m. However, it is worth noting the following risks:

- a. Some QIPP has been accrued to plan, due to the data not yet being available e.g. prescribing data, which is always 2 months in arrears.
- b. QIPP achievement within the block contract requires close monitoring as although this is included within the contract it is not being delivered in full (see below), c£1.2m not being evidenced to actual scheme delivery.

All of the Acute QIPP (with the exception of the small element associated with Ophthalmology - which continues to operate under PbR rules) has been identified through the block agreement.

Activity however continues to be monitored to ensure that planned activity reductions are coming to fruition, and to this end, there is a shortfall in delivery.

The relevant values are summarised below;

- Financial delivery via block contract agreement; £5.8m
- Forecast delivery based on performance to date; £4.6m
- The current forecast shortfall in actual delivery is £1.2m.

This highlights the need to improve performance to enable successful negotiation of further contractual adjustments within the 2nd year of the block arrangement.

Conclusion

19. The Acute block contract brings stability to the financial position and significantly de-risks the reported financial performance, however, the under delivery of block contract QIPP schemes requires attention to safeguard future block contract arrangements.
20. Significant risks remain on QIPP delivery due to limited data to report an accurate position. If such risks materialise unmitigated this will adversely impact on the CCGs ability to meet its required control total.

Recommendation

21. Members of the Governing Body are asked to:
 - Note the slide pack that accompanies this report, and seek clarification as deemed necessary.
 - Note the financial position of NHS CPR CCG for Month 9 and seek clarification on any points, as deemed necessary.
 - Note the risks in this report that have the potential to impact the CCG year-end position.
 - Note the current position in respect of the CCG's QIPP programme delivery