

FINANCE
REPORT

2017/18

Finance report for the period ending 31 August 2017

Governing Body report

Summary Finance Performance

➤ The tables below summarise the key financial duties and targets and internal key financial indicators for the CCG:

Key Financial Duties	YTD RAG Rating	Forecast RAG Rating
Remain within the Revenue Resource Limit (£212,038k full year)		
Achieve the 'Control Total' (in year breakeven)		
Remain within Running Cost Allowance (£3,242k full year)		
Remain within the Cash Balance Limit		
Better Payments Practice Code		

Key Internal Financial Indicators	YTD RAG Rating	Forecast RAG Rating
QIPP – achievement of overall target (£12,359k full year)		
QIPP – achievement of recurrent target (£11,652k)	n/a	
Achieve Underlying Surplus (£1,163k full year)	n/a	
Risk Reserves – level utilised to balance position		
Co-commissioning – spend remains within budget		
Acute Contract – spend remains within budget		
Continuing healthcare – spend remains within budget		
Prescribing – spend remains within budget		

Month 5 Summary

- Month 5 overall financial position gives rise to significant concern:
- The financial position has seen pressures increasing on key budget areas (Acute, Community, CHC and Mental Health). The position has required the use of £2.585m reserves year to date (£1.3m in month) in order to deliver a balanced position.
- Key pressures observed are related to untransacted QIPP on Acute, Community and Mental Health contracts as well as activity on Acute (Circle and NUHT contract) and CHC packages. The Prescribing position has also deteriorated this month. Furthermore, contractual issues with the main community provider have added pressure to this contract in relation to continence charges.
- The CCG is still forecasting delivery of the Control Total, however, the risk of not delivering the control total has significantly increased this month:
 - QIPP delivery
 - Acute activity & pricing (including HRG4+ coding drift plus the outstanding shift of activity to NHSE specialised)
 - CHC package – activity & price
 - Prescribing costs
 - Community continence

- Mitigations have been identified including use of contingency reserves, underspends on Running Costs and Co-commissioning and balance sheet measures. However, these are on the whole, non-recurrent measures. There is significant risk that the mitigations do not cover the risks, particularly if the untransacted QIPP does not deliver savings in the rest of the year. This will also heavily deteriorate the underlying position
- The planned underlying surplus therefore is now forecast to have deteriorated by c £6.0m to an underlying deficit of £4.8m

Resource Limit

➤ The table below shows the current RL:-

	Annual Resource Limit		
	Recurrent £000	Non Recurrent £000	Total £000
Monthly opening Revenue Resource Limit (RRL)	209,046	3,051	212,097
Month 5 changes			
	0	-59	-59
Total RRL	209,046	2,992	212,038

Summary Financial Position Year to Date

- £2,585k of reserves required for a balanced position to date
- Acute £1,752k over plan
- Continuing Care £192k over plan
- Prescribing £181k over plan
- Running Costs £122k under plan
- Mental Health £79k over plan
- Community Services £436k over plan
- See Appendix 1 for full Operating Cost Statement and Appendix 2 for Variance summary charts

Key Areas – Risk, Over and Underspend Areas (see also Appendix 4)

AREAS	YTD Variance £k	Commentary
Nottingham University Hospital NHS Trust	£1,695k over plan	<p>NUHT position is a combination of contract position (£540k over plan) and untransacted QIPP (£1,147k) and a small benefit from 2016/17 final reconciliation.</p> <p>NEL remains significantly over plan (£850k) and is the main cause of pressure. The contracts team have raised a contract query with the provider.</p> <p>Stroke Rehab activity is also significantly above plan, this activity should now be charged within the new procured community contract and the challenge with NUHT remains unresolved.</p> <p>The IR toolkit has been applied to the activity data, and the initial view is that the level of activity transferring to NHSE is short of that modelled at plan stage, giving rise to financial risk for the CCG of up to £700k for the full year. Further work is being undertaken on this issue.</p>
Circle	£270k over plan	<p>The key driver for the overspend on Circle continues to be elective and daycase</p> <p>The Circle position also includes a small favourable fallout from the 2016/17 position.</p>
Free Choice Network - FCN	£307k under plan	<p>Ramsay and BMI are under plan, with Elective and Daycase the key drivers. To an extent this reflects an offset to the Circle position.</p>
Continuing Health Care - CHC	£205k over plan	<p>Package costs are driving the overspend, with Fast Track and Mental Health service groups the areas showing pressure. CHC QIPP requirements increase during q2, q3 and q4 and pose significant risk for the rest of the year should the schemes slip/not deliver.</p>
Prescribing	£181k over plan	<p>The position reflects a small favourable fall out from 2016/17 plus 3 months PPA data. The phasing from the PPA has now been updated. The pressure on plan has been compounded by a national issue on 'No Cheaper Stock Obtainable' (NCSO) status. This NCSO status is granted for specific products where pharmacy contractors have been unable to purchase products at the set Drug Tariff reimbursement price. Where a NCSO is granted, the reimbursement price is based upon the appropriate prescription endorsement rather than the fixed Drug Tariff price. This has caused a cost pressure for NNE for Q1 totalling £95,300. The forecast cost pressure is anticipated to be £78,625 for July and £109,529 for August. The impact nationally for August is expected to be in the region of £42 million. At present, it is not possible to predict for how long NCSO will impact on prescribing.</p>

Forecast Outturn and Underlying position

- The CCG is forecasting to achieve the control total of in year breakeven, however as noted above there is significant risk to this
- There is also a significant deterioration in the underlying position of c £6.0million, with recurrent pressures on acute being the main driver, with community, CHC and prescribing also forecasting recurrent pressures

Summary Forecast Variance £000				
Expenditure		Rec	Non-Rec	Total
Acute		£5,232	-£112	£5,120
Mental Health		£148	£0	£148
Community		£880	£0	£880
CHC		£477	£0	£477
Primary Care		£62	£0	£62
Prescribing		£432	-£1	£431
Co-commissioning		£0	£0	£0
Running Costs		£0	-£207	-£207
Other Programme		-£1,303	-£6,319	-£7,622
Total		£5,928	-£6,639	-£711
	Recurrent Plan (surplus)			-£1,163
	Recurrent pressures/(benefits)			£5,928
	Forecast exit (surplus)/deficit			£4,765

Savings

- Year to date QIPP delivery shows £2.8m delivered against a plan of £3.4m
- Full year forecast is for full delivery against the £12.4m target. Of this, a recurrent shortfall of £2.44m is forecast.
- This recurrent QIPP under-delivery is the key driver of the above noted deterioration in the underlying position
- Further detail is given in the Financial Recovery paper

Other Key Areas

➤ **Running cost**

- The CCG running costs are forecast to be within the allowance for the year.
- The CCG has spent £1,208k on running costs for the reporting period, against a budget of £1,330k.

➤ **Better Payment Practice Code (BPPC)**

- NHS Organisations have a target of paying 95% of invoices from both NHS providers and external (non-NHS) organisations within 30 days by number and value. The CCG is forecasting to achieve these targets.
- The CCG’s BPPC performance for the year to date is shown in the table below:

	Non-NHS (%)	NHS (%)
Volume	100%	99.34%
Value	100%	99.91%

➤ **Statement of Financial Position and Cash**

- The Statement of Financial Position can be found in Appendix 3.
- The Cash Management regime requires the CCG to have a balance at the end of the month, of not more than 1.25% of that month’s drawdown. This equates to £208k for the reporting period. The actual cash balance the end of the reporting period is £65k. The CCG is on target to remain within the Maximum Cash Drawdown for 2017/18.

➤ **Primary Care Co-Commissioning**

- The Primary Care Co-commissioning position shows a small underspend for the reporting period and the forecast for the year is a small underspend on reserves which forms part of the overall CCG financial position mitigations.

➤ **Better Care Fund (BCF)**

- BCF spend is currently on plan.

Key Messages

- The year to date financial position is on plan but £2.6m of reserves are required to date to offset pressure areas – Acute, Community, Mental Health, Prescribing and CHC
- The forecast for the year is delivery of the Control Total, but there are significant risks to this delivery. This risk has increased this month
- The forecast underlying position shows a significant deterioration, with a number of non-recurrent measures offsetting recurrent activity and QIPP risks.
- QIPP saving challenge increases throughout the financial year

Recommendations

The CCG Governing Body is recommended to:

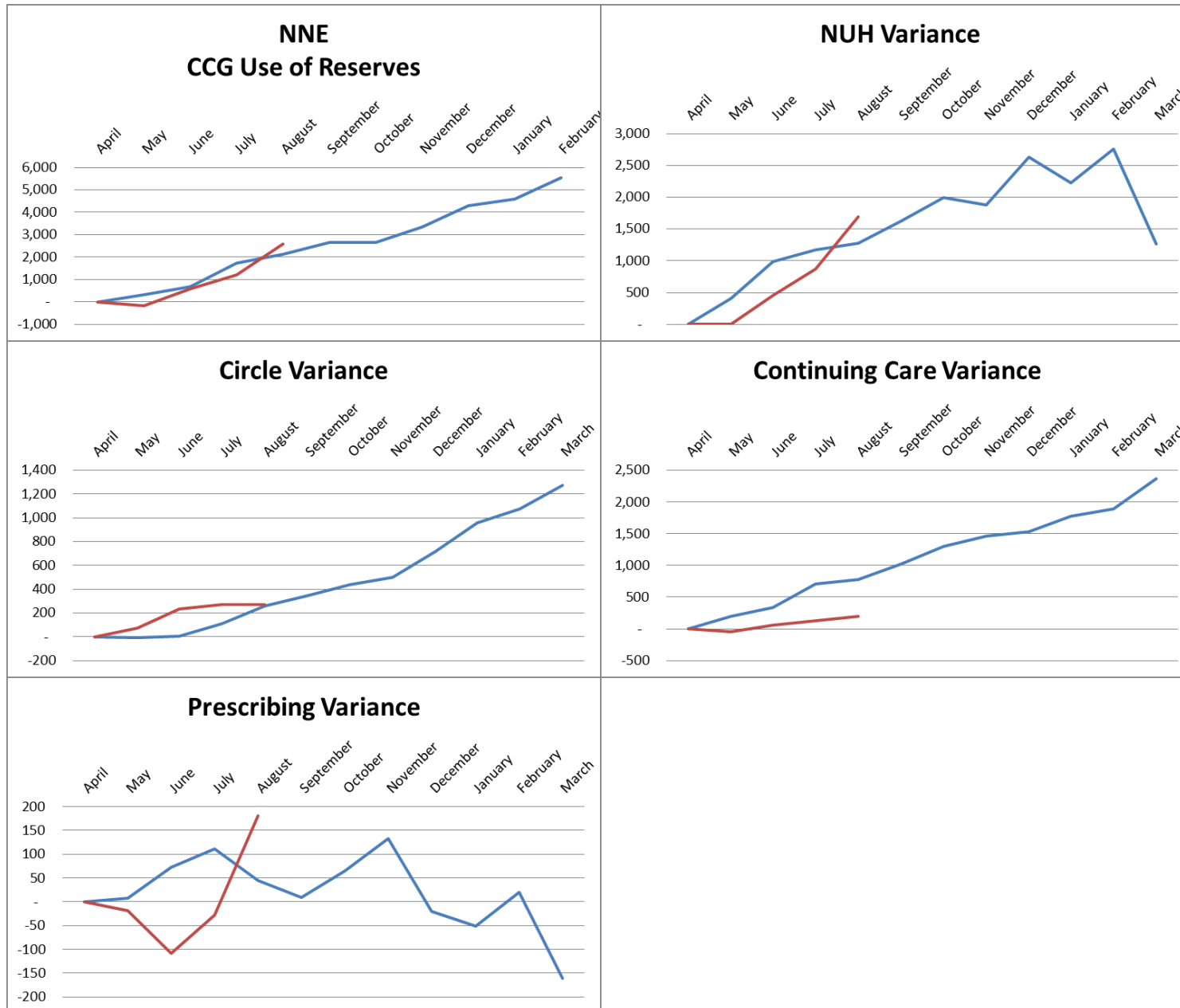
- NOTE the financial position of the CCG for the reporting period.
- NOTE the continued risks faced in delivering 2017/18 control total and for the requirement of QIPP/FRP savings to be delivered.
- APPROVE the Finance Report for the reporting period.

Jonathan Bemrose
Chief Finance Officer
Date – 12 September 2017

APPENDIX 1 – Operating Cost Statement

04L Nottingham North & East CCG Operating Cost Statement		Ledger Position £000						
		Annual budget	In Mth budget	In Mth Actual	In Mth Variance over / (under)	YTD budget	YTD Actual	YTD Variance over / (under)
For the Period Ending: 31st August 2017								
Acute Services	Circle ISTC	8,713	726	726	0	3,630	3,900	270
	EMAS	4,358	350	350	0	1,796	1,794	-2
	Non Contracted Activity	1,216	66	66	0	434	434	0
	NUH	72,812	6,073	6,896	823	31,222	32,917	1,695
	Other NHS	830	69	75	6	346	408	62
	Other Non NHS	3,962	330	275	-55	1,651	1,344	-307
	SFHFT	4,927	410	433	23	2,053	2,087	34
Acute Services Total		96,818	8,024	8,821	797	41,132	42,884	1,752
Co-Commissioning	Enhanced Services	-26	-2	11	13	-11	-10	1
	GMS/PMS Payments	14,186	1,119	1,159	40	5,907	5,915	8
	Other	1,502	54	0	-54	88	0	-88
	Property Costs	1,852	154	155	1	772	752	-20
	QOF	1,677	106	118	12	531	630	99
Co-Commissioning Total		19,191	1,431	1,443	12	7,287	7,287	0
Community Services	CHP	11,029	1,124	1,290	166	4,562	4,923	361
	I CES	610	51	51	0	254	254	0
	Other NHS	499	62	86	24	211	240	29
	Other Non NHS	2,316	193	250	57	964	1,007	43
	Patient Transport	937	78	78	0	391	393	2
	SFHFT	1,067	89	89	0	444	445	1
Community Services Total		16,458	1,597	1,844	247	6,826	7,262	436
Continuing Care	Continuing Care	14,133	1,198	1,253	55	5,888	6,093	205
	Funded Nursing Care	1,881	158	162	4	767	754	-13
Continuing Care Total		16,014	1,356	1,415	59	6,655	6,847	192
Mental Health Services	IAPT	975	81	125	44	406	425	19
	Low Secure	1,233	103	39	-64	514	416	-98
	Non Contracted Activity	124	46	46	0	124	124	0
	Nottinghamshire Health Care	12,898	1,073	1,040	-33	5,366	5,458	92
	Other NHS	34	3	3	0	14	14	0
	Other Non NHS	3,095	261	322	61	1,290	1,356	66
Mental Health Services Total		18,359	1,567	1,575	8	7,714	7,793	79
Operational Costs	NON-PAY	711	45	38	-7	223	212	-11
	PAY	2,657	221	200	-21	1,107	996	-111
Operational Costs Total		3,368	266	238	-28	1,330	1,208	-122
Other Programme	Better Care Fund	5,634	308	307	-1	1,540	1,538	-2
	Corporate Costs	83	59	59	0	-14	-18	-4
	GP IT	439	34	38	4	203	202	-1
	NHS Property	967	81	81	0	403	403	0
Other Programme Total		7,123	482	485	3	2,132	2,125	-7
Provisions	Provisions	0	0	44	44	0	44	44
Depreciation Total		0	0	44	44	0	44	44
Developments and Reserves	Developments / Risk	1,591	1,379	0	-1,379	2,585	0	-2,585
	0.5% TF National Reserve	932	0	0	0	0	0	0
	Committed	2,075	0	0	0	0	0	0
	Contingency	942	0	0	0	0	0	0
Reserves Total		5,540	1,379	0	-1,379	2,585	0	-2,585
Primary Care	Enhanced Services	248	21	44	23	103	129	26
	GP Forward View	26	0	0	0	0	0	0
	Out of Hours	1,249	104	105	1	520	525	5
	Pathways	1,824	152	157	5	760	758	-2
	Prescribing	21,870	1,820	2,028	208	9,052	9,233	181
	Resilience	62	5	5	0	26	26	0
Primary Care Total		25,279	2,102	2,339	237	10,461	10,671	210
Planned Surplus	Planned Surplus	3,888	324	0	-324	1,618	0	-1,618
Planned Surplus Total		3,888	324	0	-324	1,618	0	-1,618
	TOTAL AVAILABLE RESOURCE	212,038	18,528	18,204	-324	87,740	86,121	-1,619

APPENDIX 2 – trend graphs (blue line = 2016/17 actuals, red line = 2017/18)



APPENDIX 3 – Balance Sheet

STATEMENT OF FINANCIAL POSITION AS AT 31st August 2017			
	Audited Open Bal at Apr-17 £'000s	Closing Balance for period £'000s	Net Change £'000s
Non-current assets			
Total non-current assets	0	0	0
Current assets			
Trade and other receivables	2,209	1,904	-305
Cash and cash equivalents	11	11	0
Total Current Assets	2,220	1,915	-305
Non Current Assets classified as "Held for Sale"			
Total assets	2,220	1,915	-305
Current Liabilities			
Trade and other payables	-8,112	-10,393	-2,281
Provisions	-104	-148	-44
Total current liabilities	-8,217	-10,541	-2,324
Total assets less current liabilities	-5,997	-8,626	-2,629
Non-current liabilities			
Other Liabilities	0	0	0
Total assets employed	-5,997	-8,626	-2,629
Financed By Taxpayers' equity			
General Fund	-5,997	-8,626	-2,629
Total taxpayer's equity	-5,997	-8,626	-2,629

APPENDIX 4 – Risks and Mitigations

Risks & Opportunities						
Risks	Potential Risk Value Mth04	Full Risk Value £m	Probability of risk being realised %	Potential Risk Value £m	Proportion of Total %	Commentary
CCGs						
Acute SLAs	1.55	2.04	66.60%	1.36	36.39%	activity above plan NUHT/Circle; HRG4+ coding drift; yr end WIP
Community SLAs	0.00			0.00	0.00%	
Mental Health SLAs	0.00			0.00	0.00%	
Continuing Care SLAs	0.39	0.52	66.70%	0.34	9.23%	Activity & price risk on CHC packages
QJPP Under-Delivery	1.87	1.87	87.70%	1.64	43.95%	gross risk discussed at escalation meetings
Performance Issues	0.00			0.00	0.00%	
Primary Care	0.00			0.00	0.00%	
Prescribing	0.44	0.78	50.00%	0.39	10.43%	Activity & price risk on GP prescribing
Running Costs	0.00			0.00	0.00%	
Other Risks	0.00			0.00	0.00%	
TOTAL RISKS	4.26	5.20		3.73	100.00%	
Mitigations	Expected Mitigation Value Mth04	Full Mitigation Value £m	Probability of success of mitigating action %	Expected Mitigation Value £m	Proportion of Total %	Commentary
Uncommitted Funds (Excl 1% Headroom)						
Contingency Held	0.94	0.55	100.00%	0.55	14.69%	
Contract Reserves	0.00			0.00	0.00%	
Investments Uncommitted	0.00			0.00	0.00%	
Uncommitted Funds Sub-Total	0.94	0.55		0.55	14.69%	
Actions to Implement						
Further QJPP Extensions	0.70	1.20	74.00%	0.89	23.79%	
Non-Recurrent Measures	0.68	0.60	100.00%	0.60	15.94%	BS flex/ yr end fall out
Delay/ Reduce Investment Plans	1.23	1.34	80.00%	1.07	28.69%	slippage on community investments
Other Mitigations	0.71	0.78	81.00%	0.63	16.90%	underspends on estates, running costs & co-commissioning
Mitigations relying on potential funding	0.00	0.00		0.00	0.00%	Complete in section below - rows 51 - 53
Actions to Implement Sub-Total	3.32	3.91		3.18	85.31%	
TOTAL MITIGATION	4.26	4.46		3.73	100.00%	
NET RISK / HEADROOM	0.00	(0.74)		0.00		