

CCG Finance Report

Lead Officer: Alison Henly, Director of Finance, Performance and Contracting

Author: Alison Henly, Director of Finance, Performance and Contracting

Contact Details: alison.henly@nhs.net

1 INTRODUCTION

- 1.1 The purpose of this report is to update the Scrutiny for Policies, Adults and Health Committee on Somerset Clinical Commissioning Group's financial performance for the financial year 2018/19 as at 31 January 2019.
- 1.2 The Clinical Commissioning Group has a planned in-year deficit position of £9m for 2018/19 and is currently expecting to deliver this position. This is under-pinned by a requirement to deliver Quality, Innovation, Productivity and Prevention (QIPP) plans and mitigate any in year risks as they arise.
- 1.3 Subject to a quarterly review by NHS England on achievement of the financial plan and adherence to the conditions of the Commissioner Sustainability Fund, the Clinical Commissioning Group will be eligible to receive £9m Commissioner Sustainability Funding (CSF). Full receipt of this funding would enable the Clinical Commissioning Group to deliver a balanced position for 2018/19, subject to full mitigation of in year risks. To encourage sensible profiling of plans and to discourage phasing of savings plans towards the latter part of the year, the payment of CSF funds is weighted towards the latter part of the year. Clinical Commissioning Groups will be eligible for 10% of the total allocation for quarter 1, 25% for quarter 2, 30% for quarter 3, and the balance of 35% for the final quarter of the year.
- 1.4 The Clinical Commissioning Group has demonstrated achievement of the CSF conditions for the first three quarters of 2018/19 and has been confirmed eligible for receipt of CSF for this period. These conditions include delivery of the financial plan for the first three quarters of the year and also development of a recovery plan. The first three quarter's CSF funding has been received by the Clinical Commissioning Group and equates to 65% of the total available CSF annual allocation, at a total value of £5,850,000.
- 1.5 It should be noted that the Clinical Commissioning Group has a cumulative debt from 2017/18 of £3.556m to repay as part of the Financial Recovery Plan being developed with NHS England.
- 1.6 The following areas will be reported on in this paper:
 - forecast outturn
 - Revenue Resource Limit
 - financial performance highlights and exceptions
 - Quality, Innovation, Productivity and Prevention (QIPP)
 - risks and mitigations
 - cash

- better payments practice code
- capital
- system position

2 FINANCE REPORT

Forecast Outturn

- 2.1 As noted in the introduction to this report, the Clinical Commissioning Group has a planned in-year reported £9m deficit position before CSF.
- 2.2 Receipt of the first three quarter's CSF funds of £5,850,000 reduces this planned deficit to £3.15m, as demonstrated in Table 3 of this report.
- 2.3 As at the end of January 2019, the Clinical Commissioning Group is expecting to achieve this position, through full mitigation of risks by targeting and identifying QIPP plans and cost savings programmes. However, there still remains a risk to delivery as detailed later in this report.

Revenue Resource Limit

- 2.4 The annual revenue resource limit has increased to £757.842m at month 10, which includes core Clinical Commissioning Group programme funding of £745.89m, and running cost allocations of £11.95m. A number of adjustments to resource allocation were made during month 10, and these are detailed within Table 1 below.
- 2.5 In addition, the Clinical Commissioning Group has a carried forward deficit of £3.556m, however this is not applied to the in year allocation.
- 2.6 Table 1 below shows the breakdown of resources available to the Clinical Commissioning Group in 2018/19.

Table 1: 2018/19 In Year Revenue Resource Limit

	2018/19 £'000
Initial Allocations	722,642
<i>(including growth of):</i>	14,449
Recurrent Adjustments:	
* Recurrent 2017/18 from NHS England	2,276
* Primary Care Improving Access funding	3,302
* NHS Property Services – market rents adjustment	313
* Yeovil Health Centre	1,066
* Mental Health Collaborative fees	310
* Certificate of visual impairment (CVI) payments	10
* Immunology commissioning	(35)
* Flu and Pneumococcal Vaccine funding 2018/19	(783)
Specialised Services	
Identification Rules adjustment	3,421
National Tariff	
Price change adjustment	(4,917)
Additional Allocation	
Share of national £600m	6,066

Non Recurrent Adjustments:	
* Paramedic Rebanding	481
* Health and Social Care Network	503
* GPFV Resilience Programme	318
* GP WiFi maintenance	41
* Maternity System Early Adopter site	396
* Local Maternity System implementation fund and project support	188
* Individual Placement and Support Transformation Fund (Q1 to Q4)	222
* Perinatal Services Development fund	420
* STP infrastructure funding	198
* LD Transformation funding	137
* Digital Diabetes Pilot/Diabetes Transformation fund/National Diabetes Prevention Programme	151
* LD Mortality reviews	34
* Medicines Optimisation in Care Homes (Q1 to Q4)	195
* Urgent and Emergency Care Transformation (Q1 to Q4)	182
* Integrated Urgent Care Transformation	75
* 2018 GP OOH Services funding allocation	21
* Excess Treatment Programme	(15)
* NHS 111 Service Support	550
* Primary Care Support	50
* Charge exempt overseas visitors	(779)
* Cancer waiting target improvement support	233
* Endoscopy Pilot Project	25
* Organisational Development Somerset System	16
* Quality Premium	1,120
* NHSE SW support funding	1,500
* AfC pay award uplift (programme costs)	39
* CAMHS/CYP waiting time initiatives	70
Commissioner Sustainability Fund allocation Q1 to Q3	5,850
Running Costs (including AfC pay award uplift)	11,950
Total In Year Allocation	757,842

Financial Performance Highlights and Exceptions

2.7 Specific elements of the financial position to be highlighted at this point are:

▪ Acute Services

- * **National Tariff Suspension:** As per the Somerset system Memorandum of Understanding (MoU), payment at national tariff has been suspended for acute STP providers. However, both Yeovil and Taunton are reporting significant forecast variances against their planned contract activity baseline, and in line with the MoU the Clinical Commissioning Group are required to fund the cost of additional activity.
- * The Somerset system Directors of Finance have agreed an open and transparent approach to be used for evidencing and agreeing additional costs in relation to activity over performance. This approach has been used to finalise additional cost assumptions for the full 2018/19 financial year and this is reflected within the forecast outturn position as reported at month 10. This includes a cost pressure of £2.89m in respect of the

Taunton and Somerset NHS Foundation Trust contract and £1.22m with Yeovil District Hospital NHS Foundation Trust.

- * By finalising financial positions across the Somerset health system in advance of the financial year end this provides assurance of income and cost levels for each organisation and allows partners to focus on delivery of the system Financial Recovery Plan.
 - * **Taunton and Somerset NHS Foundation Trust:** The main areas showing additional costs being incurred in excess of plan include non-elective admissions, outpatients and direct access blood testing.
 - * **Yeovil District Hospital NHS Foundation Trust:** The main areas showing additional costs being incurred in excess of plan are non-elective admissions and A&E.
 - * **Out of County and Independent Sector Acute Contracts:** The reported forecast financial position for Out of County and Independent Sector acute contracts has deteriorated slightly from that reported at month 9. This is due to a deterioration in the forecast position in respect of contracts with the Royal United Hospital Bath NHS Foundation Trust, and with independent sector providers, particularly Nuffield Health Taunton Hospital.
 - * **Royal United Hospital Bath NHS Foundation Trust:** The revised forecast position in respect of this contract has been updated to reflect the latest year end settlement proposal made by the Clinical Commissioning Group to the Trust. This offer takes into consideration anticipated levels of both elective and non elective activity for the remainder of the financial year, which are anticipated to be above planned levels. The Clinical Commissioning Group is currently waiting on a response from the Trust with regard to this settlement offer.
 - * **Independent Sector Providers:** Activity with independent sector acute providers is no longer anticipated to be below planned levels for the year. The current forecast now anticipates delivery on plan. Activity levels at the Nuffield Health Taunton Hospital have increased within the last few months and this increase is anticipated to continue for the remainder of the financial year.
- **Other Community and Partnerships**
 - * **Pooled Budgets:** Local Authority reporting as at month 9 indicates a current projected annual overspend to the Clinical Commissioning Group of £1.48m in respect of the Learning Disabilities pooled budget.
 - * Based on performance of this budget in previous years, the Clinical Commissioning Group made allowance within its financial plan for a cost pressure arising and are assuming that the planned budget will accommodate any cost pressure, and also deliver an underspend of £1.35m for the year. This is a small deterioration to the previously reported position.
 - **Wheelchair Services**

- * Due to actions put in place to address a significant overspend against the wheelchair services contract in 2017/18 and additional planned funds put in place for 2018/19 to address activity cost pressures, it is now anticipated that this contract will deliver under budget in 2018/19.
- **Funded Nursing Care**
 - * A cost pressure of £0.24m is anticipated against the Funded Nursing Care budget in relation to national fee increases.
- **Primary Care Prescribing**
 - * A small overspend of £50,000 is reported in respect of home oxygen supply services. This reflects a cost pressure arising from oxygen supply price increases effective from 1 October 2018.
 - * An over commitment is now anticipated against GP Prescribing budgets due to cost pressures associated with generic drug shortages. In previous months this cost pressure has been contained within budget, but latest reports show that this is no longer manageable for the remainder of the financial year. The current forecast only reflects the level of cost pressure reported to date and a further risk is included within Table 6 to reflect the potential cost pressure for the remainder of the financial year.
- **Other Primary Care**
 - * **Primary Care Improvement Scheme:** It is anticipated that there will be slippage against the Primary Care Improvement Scheme Enhanced Service (PCIS) during 2018/19. This has been assumed at £1.375m within the current forecast.
 - * The reported financial position also reflects the receipt of funding from NHS England to mitigate cost pressures associated with the provision of NHS 111 services within Somerset. This is in recognition of the challenges on workforce for the remainder of the contract with Vocare and additional support agreed with Devon Doctors over the winter period.
 - * Additional underspends are anticipated against budgets for GP Local Enhanced Services, particularly anti-coagulation services.
 - * Separate discussions are taking place with the GP Board regarding the application of GP Transformation funds available during 2018/19. This funding is currently assumed as fully committed in the current financial year.
- **Other Programmes and Reserves**

- * Included in the position reported against Other Programmes and Reserves are growth and investment reserves set aside during the planning process, which are anticipated not to be required this financial year. Some of these uncommitted reserves have been utilised in order to contribute to delivery of the Clinical Commissioning Group's outstanding £0.4m QIPP challenge.
 - * The reported forecast position includes anticipated costs associated with Learning Disability patient placements within the community. These costs were previously reported as a financial risk. These are additional costs to the Clinical Commissioning Group which have materialised as a result of the Transforming Care agenda. Transforming Care focuses on improving health and care services so that more people can live in the community, with the right support and close to home, rather than in an inpatient setting.
 - * The reported forecast position also now includes anticipated costs associated with the aftercare of Mental Health S117 patients who have been discharged from hospital. These costs have previously been reported as a financial risk. These are shared costs between health and social care and negotiations are ongoing with the Local Authority to determine the funding contributions to be made by each organisation on a case by case basis.
- **Corporate Running Costs**
 - * The Clinical Commissioning Group's corporate running costs are forecast to be £650,000 under budget for the financial year. This is due to staff vacancies throughout the year, partially driven by a staffing restructure and a recruitment freeze prior to this coming in to effect. This saving has previously been held as a mitigation to offset financial risks which have now crystallised and are included within the current reported forecast outturn.
- **QIPP Challenge**
 - * An additional QIPP challenge of £0.4m was identified within the Clinical Commissioning Group's planned financial position for 2018/19. This has now been mitigated by savings and uncommitted funds identified in year, and this is reflected within the forecast position presented in Table 2 below.
- **Contingencies and Reserves**
 - * A level of slippage is currently anticipated in respect of investment reserves set aside for developments to mental health services in 2018/19. The Clinical Commissioning Group is considering ways that this investment funding could still be put to effective use to develop mental health services in year.

2.8 Table 2 below shows the forecast end of year position on key reporting lines based on the January 2019 information.

Table 2: 2018/19 Analysis of Programme Expenditure

Expenditure	Annual Budget £'000	Forecast Expenditure £'000	Forecast Variance £'000	Previous reported Variance £'000	Variance Change
Somerset STP Providers	422,967	427,082	4,115	4,115	Static
Other Acute Commissioning	119,602	119,517	(85)	(260)	Deterioration
Other Community and Partnerships	34,115	32,107	(2,008)	(1,908)	Improvement
Continuing Care and Funded Nursing Care	46,751	46,991	240	240	Static
Prescribing	77,578	77,843	265	50	Deterioration
Other Primary Care	24,264	22,331	(1,933)	(1,383)	Improvement
Better Care Fund	12,758	12,758	0	0	Static
Other Programmes	10,418	10,792	374	(54)	Deterioration
Corporate Running Costs	11,760	11,110	(650)	(650)	Static
Contingencies and Reserves	779	461	(318)	(150)	Improvement
Planned Deficit (adjusted for receipt of Q1 to Q3 CSF funds)	(3,150)	0	3,150	5,850	Improvement
Total Expenditure	757,842	760,992	3,150	5,850	Improvement

Key:

Improved forecast position compared to previous month	Improvement
Static forecast position compared to previous month – favourable variance	Static
Static forecast position compared to previous month – adverse variance	Static
Deteriorated forecast position compared to previous month	Deterioration

2.9 Table 3 below demonstrates that the Clinical Commissioning Group are expecting to meet the planned deficit control total of £9m as agreed with NHS England and confirms receipt of the first three quarter's CSF funding allocation of £5.85m. This has the impact of reducing the control total to £3.15m for 2018/19, against which the balance of CSF will be released to achieve an in year breakeven position. This is shown in Table 3 below.

Table 3: 2018/19 Planned Financial Position

Description	£m
2018/19 in-year planned deficit	9.0
0.5% mandated reserve	0.0
Commissioner Sustainability Fund received (Q1 to Q3)	(5.85)
End of financial year deficit	3.15
Expected Commissioner Sustainability Fund	(3.15)
Expected in year reported position	0.0
Carried forward surplus / (deficit)	3.6
Cumulative Financial Position	3.6

Recurring Underlying Financial Position

2.10 Table 4 below demonstrates the recurring underlying financial position of the Clinical Commissioning Group, accounting for non-recurrent cost commitments, non-recurrent financial benefits and full year effects.

Table 4: Recurring Underlying Financial Position

	£'000	£'000
Total Clinical Commissioning Group allocation 2018/19	757,842	
Less: non recurrent allocation	(12,331)	
Total recurrent allocation 2018/19		745,511
Total forecast expenditure 2018/19	760,992	
Less: non recurrent resource allocations and other commitments:		
Paramedic rebanding	(481)	
GPFV Resilience Programme	(318)	
GP wifi maintenance	(41)	
Maternity System Early Adopter site	(396)	
Local Maternity System implementation fund and project support	(188)	
Individual Placement and Support (IPS) Transformation Fund (Q1 to Q4)	(222)	
Perinatal Services Development fund	(420)	
STP infrastructure funding	(198)	
Organisational Development Somerset System	(16)	
LD Transforming Care funding	(137)	
Digital Diabetes Pilot/Diabetes Transformation Fund	(151)	
LD Mortality Reviews	(34)	
Medicines Optimisation in Care Homes (Q1 to Q4)	(195)	
Urgent and Emergency Care Transformation (Q1 and Q4)	(182)	
Integrated Urgent Care Transformation	(75)	
Charge exempt overseas visitors	779	
Cancer waiting target improvement support	(233)	
Primary Care Support	(50)	

Endoscopy Pilot Project	(25)	
Quality Premium	(1,120)	
NHSE SW funding support	(1,500)	
CAMHS/CYP waiting times initiatives	(70)	
AfC Pay Award uplift	(128)	
Additional costs associated with OOH and 111 service provision	(550)	
Somerset Clinical Strategy	(2,400)	
Add: Non recurrent QIPP/Benefits		
Carried forward Primary Care transformation funds	1,695	
Primary Care improvement scheme saving	405	
EDF income (final year)	295	
Running Cost staff vacancies	851	
Add: Full Year Effect of cost commitments		
Transforming Care Placements	200	
Total Recurring Expenditure 2018/19		756,087
2018/19 Underlying Surplus/(Deficit) Position		(10,576)

Quality, Innovation, Productivity and Prevention (QIPP)

- 2.11 As identified in the opening budgets, the QIPP target for 2018/19 is £28m, including £9.3m demand management linked to the agreement of secondary care contracts.
- 2.12 Table 5 below summarises the QIPP plans and indicates current delivery against these plans in the form of a RAG rating indicator.

Table 5: 2018/19 QIPP Plans

Description	£m	Delivery
Demand Management	9.3	Red
Home First	2.1	Green
Psychiatric Liaison	1.2	Red
Stranded patients	2.9	Yellow
Procedures of limited clinical value	0.6	Green
Extended PIFU	0.6	Green
Advice and Guidance	0.2	Green
GP Prescribing	5.3	Green
Continuing Healthcare	5.0	Green
Extended Consultant Connect	0.5	Green
Extended GP variation	0.2	Green
Other	0.1	Green
TOTAL QIPP	28.0	

- 2.13 The corporate risk register is routinely updated to reflect risks around the delivery of QIPP plans which are under achieving and may impact on the financial position.

2.14 Areas where projected savings are not achieving planned levels will be reported through variations within the 'Highlight and exceptions' section above or highlighted in the risks section, below, with appropriate mitigations.

Risks and Mitigations

2.15 In addition to the cost commitments detailed within the reported financial position, the Clinical Commissioning Group has a further financial risk in respect of Primary Care prescribing costs, as detailed in Table 6 below. A number of measures are being pursued to mitigate any remaining risk, including flexibilities that could be released to ensure delivery of the Clinical Commissioning Group's financial position.

Table 6: 2018/19 Risks

Risks and Mitigations	2018/19 Risk Value £'000
NCSO/Cat M prescribing cost pressure	1,320
S117 cases	0
Cat M drugs margin benefit	(400)
Other identified mitigations	(920)
Total Net Risks	0

2.16 The majority of cost pressures previously reported as risks are now either assumed as forecast overspends within the reported financial position, or are considered as unlikely to materialise. Similarly, a number of previously identified mitigations are now reported as underspends within the current financial forecast position.

2.17 The Clinical Commissioning Group identified in the opening plan a requirement to hold a 0.5% local contingency, equivalent to £3.7m, to manage any in year risks. This has been released into the financial position, as part of the planning process, based on the reduced level of risk expected to be seen through agreement of the contractual Memorandum of Understanding.

Cash

2.18 The Clinical Commissioning Group is required to manage its cash to minimum levels by the end of the financial year; however during the year the level will vary. The forecast and actual end of month balances are shown in Table 7 below.

Table 7: Cash Balances

Month end	Actual Cash and cash equivalents held £'000	Forecast Level cash and cash equivalents held £'000
April 2018	2,309	709
May 2018	1,342	687
June 2018	4,221	803
July 2018	2,165	697
August 2018	559	686
September 2018	901	692
October 2018	1,279	718
November 2018	479	699

December 2018	797	741
January 2019	169	749

Better Payment Practice Code (BPPC)

2.19 The Clinical Commissioning Group is required as part of its administrative duty to pay 95% of all creditors within 30 days of receipt of goods or valid invoice. Table 8 below shows the current cumulative position for April 2018 to January 2019. Performance to date exceeds the target of 95%.

Table 8: Better Payment Practice Code Performance

NON NHS PAYABLES	Number	£'000
Non-NHS trade invoices paid in the year	8,136	105,542
Non-NHS trade invoices paid within target	8,113	105,482
Percentage of Non-NHS trade invoices paid within target	99.7%	99.9%
NHS PAYABLES	Number	£'000
NHS invoices paid in the year	2,824	448,980
NHS invoices paid within target	2,821	448,372
Percentage of NHS invoices paid within target	99.9%	99.9%

Capital

2.20 Table 9 below sets out the most up to date position regarding capital schemes, allocation and progress made in 2018/19.

2.21 Once agreement on schemes is received from NHS England, progress on programme areas can commence.

Table 9: 2018/19 Capital Plan

Capital Scheme	Allocation	Progress
CCG Corporate Capital IM&T Refresh	£35,000 as at 31 January 2019	The CCG have had £35,000 agreed and have submitted plans for a further £15,000. Spending plans have now been put in place for the agreed £35,000 funding.

Somerset System Position

System Overview

2.22 As at the end of January 2019, the Somerset health system is reporting a year to date adverse variance to plan of £3.63m. The system year end forecast is not anticipated to deliver to control totals, with Yeovil District Hospital NHS Foundation Trust reporting an adverse forecast variance of £3.43m, and Taunton and Somerset NHS Foundation Trust reporting an adverse forecast variance of £8.78m at month 10. This includes the loss of PSF funds that would result from non delivery of the Trusts' planned control total in Q4. The Trusts continue to work to improve on this position during the remainder of the financial year.

2.23 Additional significant risks to delivery of financial plans remain within the system, including those reported by the Clinical Commissioning Group in Table 6, the continued challenge for providers to fully deliver Cost Improvement Plans (CIP), potential cost pressures associated with additional agency expenditure requirements at Taunton and Somerset NHS Foundation Trust and additional cost commitments required for escalation capacity over the winter period.

Table 10: Performance against organisation specific and system control totals

Organisation	YTD month 10			Forecast			
	Plan	Actual	Variance	Plan (excluding CSF/PSF)	Plan (including CSF/PSF)	Actual	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CCG	(1,650)	(1,650)	0	(9,000)	0	0	0
T&S	(5,815)	(8,158)	(2,343)	(10,336)	(4,464)	(13,248)	(8,784)
Somerset Partnership	3,152	3,161	9	1,808	4,111	4,111	0
YDH	(15,391)	(16,686)	(1,295)	(19,886)	(16,744)	(20,178)	(3,434)
System	(19,704)	(23,333)	(3,629)	(37,414)	(17,097)	(29,315)	(12,218)

2.24 The table above shows forecast figures assuming receipt of the full Commissioner Sustainability Funds (CSF) available to the Clinical Commissioning Group for 2018/19. In line with NHSE guidance, all external reporting for the Clinical Commissioning Group currently shows a £3.15m deficit (£9m adjusted by £5.85m CSF received for Quarters 1 to 3) to reflect the balance of CSF which remains at risk.

2.25 Based on the forecast outturn projections at the end of December, Somerset Partnership NHS Foundation Trust are expecting to achieve the control total element of the Provider Sustainability Fund (PSF), which is weighted at a minimum of 70% of the funds available. However, Yeovil District Hospital NHS Foundation Trust and Taunton and Somerset NHS Foundation Trust will not achieve full PSF based on their forecast adverse variance against plan, and this is reflected in their reported financial positions.

2.26 The remaining 30% of the PSF is linked to A&E performance, with providers required to achieve performance in 2018/19 that is the better of either 90% or the equivalent to the same quarter from 2017/18.

3 CONCLUSION

3.1 The Scrutiny for Policies, Adults and Health Committee is asked to note the financial report as at January 2019.

3.2 There are significant challenges in delivering the financial position in 2018/19 and further actions will need to be taken to deliver the planned in-year deficit position, including:

- delivery of outcomes from the Turnaround work programmes
- continued challenge to any potential non-essential expenditure

