Putting patients first

NHS
Stoke-on-Trent
Clinical Commissioning Group

ENCLOSURE:	

AUTHOR		REPORTING OFFICER	
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Title	Assistant CFO	Title	Chief Finance Officer

REPORT TO	Governing Body

TITLE OF REPORT	Month 11 Financial Position

DATE OF THE MEETING	5th April 2016

WHAT OTHER CCG COMMITTEE OR GROUP HAS CONSIDERED THIS REPORT?	Record which groups/committee have already seen this report, the date and comments (for example agreed this report should go to the governing board for approval)
FRG 30th March 2016 Joint Finance and Performance Committee 23rd March2016	Challenge on assumptions and risk scenarios. Challenge around QIPP delivery and mitigating actions to deliver to planned positions. Risks noted, unmitigated areas outlined in the detail together with ongoing assurance sought.

ACTION REQUIRED FROM COMMITTEE/GROUP/ GOVERNING BOARD	Approve		Assurance	x	Discussion	x	Information	x

Members are asked to note :-

1. The CCG's cumulatively reported position for the year to Month 11 (February 2016) stands at £326k surplus, which is out of line with the £3.706m surplus planned at month 11. An adverse divergence from plan of £3.38m
2. Due to the level of now unmitigated risk the CCG is unlikely to deliver to its control total and is currently forecasting a year end cumulative surplus of £485k; an overall move from original plan of £3.245m
3. The current and forecast performance against the original £10.57m QIPP programme levels together with risk scenarios highlighting the potential risk levels being managed that will now impact on the out-turn performance.
4. the over performance in Acute, Mental Health and Prescribing areas.
5. A significant level of risk mitigation actions have been taken through the Financial Recovery Group regime, but the forecast surplus has been under severe pressure, as not all mitigations sought have been successful. Full and final agreement of contract values with providers around transformation, performance and contract levers has not been achieved. Further actions have been taken through the internal turnaround regime to deliver as far as possible against the original plan.

STRATEGIC GOALS SUPPORTED BY THIS PAPER (identify appropriate goals)			
Financial resources underpin delivery of all the strategic goals of the CCG		**YES**	**NO**
1.	Increase life expectancy and reduce inequality		
2.	Improve prevention, early detection & effective management of those at increased risk		
3.	Enhance quality of life and improve health outcomes for people with LTCs		
4.	Ensure people receive the right care in the right place		

PURPOSE OF THE REPORT, KEY POINTS, OUTCOMES, EXECUTIVE SUMMARY

The month 11 reported position is a £326k surplus which is out of line with the planned surplus of £3.706m up to the same period. It should be noted that planning assumptions for the current year saw funds reinvested at the outset for expected credits for marginal rate activity, fines and penalties. This was in line with a perceived view that contract levels had been set at excessively high levels and that underperformance would naturally arise as a by-product. As QIPP plans in the latter half of the year would ensure contractual underperformance with acute providers this would then allow redirection of savings to non-recurrent activities.
The above expectation has not proven to be true, as the broad acute performance is over-performing.

The basis of the financial position is through receipt of activity and costs up to month 10 for acute data and to month 9 for prescribing data. These latest details are now built into Programme expenditures.
All contingencies have been applied in full (predominantly the 0.5% contingency of £1.9m and "headroom" of £3.5m, plus all sums in budget now assessed as contingent).

At this stage the overall CCG forecast has moved to a £485k cumulative surplus at the year end. This broadly falls to non-delivery of activity reductions with the introduction of Step Up services, Non elective over-performance and other contractual overspending that is not covered by reserves. To better that position the CCG would need to:-

- mitigate the current level of risk which also incorporates the recovery and delivery of the QIPP programme levels over the last month of the financial year
- Reach final year end agreements with our main providers (in particular UHNM) on a number of performance issues including activity forecasts, sanctions and application of contract levers.

SUMMARY OF RISKS RELATING TO THE PROPOSAL

The position is based on initial month 10 activity data from Providers which is now providing a more reliable indication of activity and its trends. To date this shows both activity and gross costs to be above plan at our main provider, and at the overall acute level the forecast is over performing. Forecasts assume that current trends continue; albeit profiled to planned demand assumptions. Some unwinding of risk into forecast actual expenditures has been shown where it is now clear that mitigating actions will be unsuccessful.

At a summary level the overall overspend in the main Acute contract at UHNM is attributable to the increase in non-elective activity above what were higher level plan figures (ie not offset for the planned Step Up activity reductions). A number of activity coding issues have now been finalised, agreed and actioned in the UHNM contract; relating to specialised commissioning. Refunds expected for activity charged incorrectly to the CCG have been almost matched by charges made incorrectly to NHS England. This impacted upon assumptions made in earlier months of the financial year.

The CCG is currently working through contractual processes with UHNM regarding various remedial action plans that may impact on the financial position over the last month of the financial year. For financial planning purposes it is assumed that any recovery trajectories are incremental, rather than a step change increased delivery.

Discussions are taking place with UHNM and other providers to reassess and agree expected year-end financial positions. These discussions have been on-going and take into account all outstanding matters relating to system resilience claims, sanctions and contract levers applied and other matters including 18 week backlog clearance.

The CCG position is based on 9 months Prescribing data reflecting the pricing process for prescriptions which has a two months lead time for the production of cumulative expenditure. Forecasts based on the information received indicate spending above plan at the year end. Forecasting methods use comparisons of spending in previous years and take into account the expected delivery of QIPP schemes through the remainder of the year. It is expected that expenditure will continue to be above plan but growth in costs will be avoided by delivery of the Prescribing QIPP programme.

To achieve the original planned surplus of £3.731m the CCG had to deliver the bulk of the QIPP programme at £10.57m. This included the substitute schemes to recover slippage on the Step Up scheme; arising due to the delay in fulfilling the expected sign up value relating to the Step Up and Step Down contract variation. This has adversely impacted on QIPP delivery and assumptions around the level of risk materialising.

A number of other risks have become evident in the CCGs financial position; these will need to be mitigated in order to maintain the control totals. Significant pressures are evident within the system resilience planning budgets, which are over committed against the CCG baseline allocation that covers only "Tranche 1" costs of the system. The CCG has not accounted for the full risk of this wider system over commitment as it is considered that the bulk is covered through normal tariff payments, payment for over performance and issues that are the responsibility of other commissioners. These issues are currently being worked through the wider system, however for the next financial year Systems Resilience plans must be better aligned with system finances and established at the commencement of the year.

The CCG has fully applied the 0.5% contingency of £1.9m and its headroom of £3.5m against its forecast out-turn position. The risk is that no further "contingent funds" are available over the final month of the financial year to cover any over performance in contracts.

ANY STATUTORY / REGULATORY / LEGAL / NHS CONSTITUTION/ASSURANCE / GOVERNANCE / PRESCRIBING IMPLICATIONS
Whilst the CCGs forecast outturn position is now estimated at £485k surplus the management of financial risks gives rise to 3 assessments - an upside (optimistic) case; a downside (pessimistic) case and a realistic case. The CCG realistic case indicates the risk exposure to be managed through year end settlements, QIPP delivery and other measures stands at £6.375m. This has been factored into delivery of the £485k surplus. A downside (pessimistic) case would require an additional £1.18m of risks to be bridged. Through the process of tight fiscal control and financial turnaround the CCG is looking to mitigate identified risks and deliver the realistic scenario. In addition to financial issues outlined above, concern still remains regarding the delivery of constitutional targets, regardless of the direct application of commissioner investment to promote access and patient flow across the system.

QUALITY IMPACT ASSESSMENT AND/OR EQUALITY IMPACT ASSESSMENT
Concern still remains regarding the delivery of constitutional targets, regardless of the direct application of commissioner investment to promote access and patient flow across the system

ANY RELATED WORK WITH STAKEHOLDERS/PRACTICES/PUBLIC AND PATIENT ENGAGEMENT
None

ACRONYMS
Set out in the body of the report.

Month 11 Financial Position 2015/16

1. Background

Stoke on Trent Clinical Commissioning Group (CCG) is required to report achievement against its key financial duties and plans on both a monthly and annually. This report discusses the position to the end of February 2016 (Month 11 of financial year 2015-16).

2. Executive Summary

High Level Targets & RAG Rating

R	Total Revenue Allocation notified - £377.412m
R	Programme Allocation notified - £371.427m
G	Running Cost Allocation notified - £5.985m
G	Capital Allocation notified - zero

Risks to Financial Plan

- Prescribing expenditure above original plan
- Non elective activity significantly above plan since October 2015, case mix costs higher than expected.
- Seasonal Resilience schemes significantly over committed against funding allocated, with a number of disputed claims received
- Out of Area Placement costs above plan
- QIPP delivery planned for Q4
- Step Down QIPP delivery of targeted savings - limited evidence of savings in the first two months of operation.
- Year end agreement of final SLA values with major providers
- Fines and penalties available to the step down scheme.

Other Areas of Focus

Discussions are taking place with providers to agree final contract values taking account of activity to date including sanctions and penalties for under performance and outstanding matters relating to system resilience and service transfers.

Overall Status

The latest position identifies significant risks to the value of £6.375m which have been mitigated in part by a change in control total. It is also based on expectations that contract settlements with providers would have reduced expenditure following application of contract levers and sanctions.

3. Financial Duties and Plans 2015-16

In 2015-16, the Income & Expenditure plans of the CCG are to:

- Deliver a £2.1m in year surplus and a £3.731m cumulative surplus against allocated Revenue Resource Limit (RRL) in line with the mandated planning requirement of 1% surplus.
- Contain expenditure within an overall cash limit
- Contain expenditure within the Running Cost target of £21.80 per head of population
- Deliver a QIPP of £10.57m

Throughout the financial year the CCG has reported on its achievement against meeting its key financial duties and delivery against its financial plans.

A summary of financial performance is shown below:-

Description of financial duties	YTD	Forecast	Explanation
Maintain expenditure within the revenue resource limit and deliver to a planned surplus (normally 1%)			The CCG has not achieved its forecast surplus target to end of Month 11. The target surplus was £3.731m for the year and comprises monthly targets.
Maintain expenditure within a Maximum Cash Draw down Limit (cash limit).			The CCG has drawn down £297.401m to date with BSA requirements of £45.677m giving total cash requirements of £343.078m. Drawings are below planned levels, reflecting the outstanding payments relating to the Better Care Fund, and final settlements with providers. These are due to be settled in March 2016.
Maintain capital expenditure within the delegated limit from the Area Team.			Nil allocation to the CCG. Capital expenditure is anticipated for GP IT and the CCG has planned commitments against this expenditure area. The CCG will recharge NHS England Area Team for these capital items which will be held on the NHS England balance sheet.
Ensure running costs are within the set allocation per head of population.			The CCG has an allocation of £5.985m for running costs. At Month 11, the running costs position was £381k underspent due to negotiated reductions in CSU recharges
Ensure a minimum of 0.5% contingency is held.			The CCG has 0.5% contingency - within the financial plan this is fully applied within the forecast positions reported at Month 11.
Ensure that 1% of funds are spent Non Recurrently on approved projects.			The CCG has utilised this fund against Risks identified eg against the Better Care Fund, clearance of Continuing Healthcare retrospective claims and additional budgetary pressures.
Delivery of QIPP targets			The CCGs original QIPP Plan is valued at £10.57m of schemes; a series of "plan B" schemes has been developed and turnround activities agreed. There is limited evidence that the "step down" scheme has delivered the expected savings [in reduced emergency admissions] since its introduction in December 2015.
Ensure compliance with the Better Payment Practice Code (BPPC) – "Late Payment of Commercial Debt"			The CCG delivered 95.6% in 30 days against the number of NHS and 98.6% against non NHS invoices.

Maintain expenditure within the resources allocated and delivery of planned surplus.
At the end of month 11 the CCG Financial Plan baseline resource level stood at £377.412m. This is built up of £371.427 for Programme expenditure and £5.985m allocation to meet Running costs. Within these figures is the non-recurrent return of a prior year surplus of £1.697m and other non-recurrent allocations for items such as GPIT.

Maintain expenditure within a maximum cash drawdown limit
The CCG manages cash flow on a monthly basis and draws down cash directly via NHS England. Net cash holding at the end of the month is within the 1.25% tolerance level. Payments are behind original plans due to some deferred remittances, but are expected to remain within planning parameters at the year end.

Ensure running costs are contained within the allocated £21.80 per head of population
Running Cost allocation is £5.985m for the financial year against a population of 274,541. To date, running cost expenditure is within that planned value.

Deliver QIPP savings targets.
QIPP saving schemes of £10.57m are planned for this financial year. These are a combination of transactional schemes and transformational schemes. Transactional schemes broadly fall in the first part of the financial year and transformational in the second part of the year. There has been concern expressed over several months regarding the high value phasing of schemes in the latter part of the year, especially where investment decisions are critically interlinked e.g. Step Up/Step Down. There is slippage on delivery which has not been fully mitigated to deliver the financial control total.

Ensure compliance with the Better Payment Practice Code (BPPC)
The CCG is expected to comply with the Confederation of British Industry (CBI) Prompt Payment Code. This requires the CCG to pay 95% of valid invoices within 30 days of receipt. CCG performance up to 29th February stood at 95.3% based on count for NHS payables (98.9% by value), an improvement on the January position. For non NHS payables the position was 96.5% based on count (97.1% by value), an improvement on the previous month.

The CCG continues to press for improved compliance with the better payment practice code and has during the course of the year introduced a "Controlled Environment for Finance" which supports the controlled access to data allowing invoices to be paid more promptly. Further internal actions are on-going to press for a higher percentage of BPPC compliance.

4. Position to Date

The CCG key financial duties were not achieved in the cumulative position to February 2016 (Month 11). Table 1 below highlights a summary table of performance against the range of budget headings and financial performance.

Stoke on Trent CCG	CCG Current Position			CCG Forecast		
	YTD Budget £000	YTD Actual `	YTD Variance £000	Annual budget £000	Forecast £000	Variance £000
Acute	153,077	156,426	3,349	170,463	173,421	2,958
Mental Health	37,252	39,010	1,758	40,863	42,627	1,764
Continuing Care	19,826	19,824	-2	21,531	21,753	222
Community	66,288	65,735	-553	70,313	71,151	838
Primary care	52,398	53,562	1,164	58,305	58,141	-164
Other	4,774	4,508	-266	5,201	5,108	-93
TOTAL PROGRAMME	333,615	339,065	5,450	366,676	372,201	5,525
Running Costs	5,485	5,105	-380	5,985	5,985	0
Reserves (incl Contingency)	1,020	-670	-1,690	1,020	-1,260	-2,280
TOTAL SPEND	340,120	343,500	3,380	373,681	376,926	3,245
Surplus	3,706	0	-3,706	3,731	0	-3,731
TOTAL	343,826	343,500	-326	377,412	376,926	-486

The financial position as at the end of February (Month 11) shows a cumulative surplus of £326k against the plan of £3.706m profiled target level for the CCG's planned surplus at this point in the year.

The forecast shows the impact of reserve budgets being unwound to those specifically targeted areas. This is covered further in section 8.

The financial position set out within this report is based on external information provided to the CCG, e.g. acute activity initial month 10 data and Prescribing data for month 9 and also against a range of assumptions in compiling the position.

The Continuing Healthcare year end position is reflective of the forecast expenditure levels via the Commissioning Support Unit as at February 2016.

5. Contractual Performance of Providers/Budgetary Performance

Initial month 10 data received from **University Hospitals North Midlands NHS Trust (UHNM)** indicates that at the end of February, activity and costs are above contracted levels and would generate an overspending of £2.544m against plan. This data is subject to continuous validation processes relating to data queries, penalties and triggering of the Marginal Rate Emergency Threshold. After taking into account the likely outcome of these adjustments the forecast for this contract is an underspending of £1.633m. Within this position the Step up and Step Down Financial Recovery Plan (FRP) scheme assumes contractual fines of £1.5m are reinvested in the delivery model in 2015/16.

Monthly reporting data to the end of January has been received from **West Midlands Ambulance Trust** and this also indicates activity up to January to be above plan which is forecast to the year end as £55k over plan.

The CCG is now in receipt of SLAM reporting information for **out of area Acute contracts** with NHS and Private providers these are indicating year to date activity to be above plan by £1.467m with the forecast year end position being £1.632m above plan. Significant overspending is evident in contracts with Trusts in Cheshire and overspending in the majority of other contracts. Further work is required to fully understand if this indicates a market share shift due to choice exercised by patients. The overspending to date has been covered by reserve funds.

The CCG has now received reporting information up to month 9 for **Prescribing** which indicates expenditure to be above plan. The forecast is that expenditure will continue to be at levels above plan but delivery of the QIPP programme savings in full would limit the forecast overspend to around £0.9m, which has been covered by funds from reserve.

Continuing Care information has now been received for expenditure up to February which indicates that costs are currently above plan. This includes the transfer of £1.068m to NHS England national risk pools relating to the payment of retrospective claims for pre-April 2013 claims. Monitoring reports indicate that the Continuing Healthcare QIPP programme over achieved its January savings target, however based on current trends, which now include expenditure on personal health packages, expenditure would be £0.223 above plan at year end.

The CCG has continued to see a rise in the costs relating to a number of **individual patients** being placed in out of area settings with either other NHS or Private sector providers mainly relating to **Mental Health cases**. At month 11 the cumulative costs are £1.758k above plan, and they are forecast to be £1.784m above plan at year end.

6. Quality, Innovation, Productivity and Prevention (QIPP)

The final Financial Plan detailed a required QIPP programme of £10.57m net of investment which is equivalent to 2.8% of the resource allocation.

The QIPP programme has a phased delivery with several of the larger schemes scheduled to deliver in the latter part of the year. The table below highlights the key assumptions being made in the month 11 report against the areas of focus for the 2015/16 QIPP programme.

Stoke	Annual Plan £000	Plan at Month 9 £000	Actual Delivered £000	Forecast £000	Year to date Variance £000	Forecast Variance £000	Comments
Acute							
Step Up	4.49	3.74	0.00	0.00	-3.74	-4.49	No evidence of delivery in Months 9 and 10 data. Forecast reduced to zero
Planned Care	1.00	0.90	0.78	0.85	-0.12	-0.15	Underspending in planned care headings on UHNM contract.
Emergency Activity	0.94	0.86	0.84	1.13	-0.02	0.19	
Other Acute	0.13	0.06	0.09	0.11	0.03	-0.02	
Mental health OOA	0.40	0.37	0.00	0.00	-0.37	-0.40	Scheme has not progressed in 15/16
Mental Health - Other			0.12	0.14	0.12	0.14	
Other Programme Services	0.00	0.00	0.34	0.37	0.34	0.37	111 reprocurement
Community							
Step Down	1.33	1.11	0.00	1.33	-1.11	0.00	Delivery of savings delayed to December, CV to be agreed in final settlement
Pathways	0.67	0.61	0.17	0.18	-0.44	-0.49	Physiotherapy QIPP did not go ahead
Other Community	0.00	0.00	0.27	0.30	0.27	0.30	
Continuing Care	0.79	0.72	1.20	1.31	0.48	0.52	Additional QIPP above plan levels
Prescribing	0.82	0.75	0.76	0.83	0.01	0.01	Proposed re profile of delivery from Meds Opt
Total	10.57	9.12	4.57	6.55	-4.55	-4.02	

The Month 11 savings target was £9.12m and actual reported delivery was £4.57m, £4.55m (50%) under plan. A significant proportion of the savings relied on achievement of the Step Up/Step Down intermediate care plans – the scheme was delayed in its implementation until 1st December and the expected reduction in non-elective activity has not been evidenced. No further savings are anticipated on this scheme, which has a significant impact on the overall QIPP programme.

The ongoing monitoring and assurance of the programme takes place through the Finance Recovery Group (FRG) which continues to meet on a fortnightly basis and is in the process of refocussing its approach and priorities.

A further 2 schemes have not delivered the planned levels of savings i.e. Physiotherapy and Mental Health. The forecast plan is now valued at £6.55m with a balance of £1.98m to be delivered in the final months with the majority of this relating to finalising the contract challenge of the step down arrangements.

7. Audit Assurance

The CCG finance department will continue to work with Internal Audit to undertake assurance around various aspects of the CCG financials to provide audit opinion regarding accuracy of monthly accounts. In addition where further assurance work is required then this continues to be sourced as appropriate; predominantly from Internal Audit.

8. Strategic Support

The CCG was required to set aside 1% of its baseline recurrent allocation to be used each year on a non-recurrent expenditure basis, this equates to £3.5m. In addition the CCG has 0.5% of contingent funds at £1.9m available.

This has been applied to support:

- Risk Reserve for Better Care Fund £1.138m
- Some SRG approved schemes eg Longton Cottage £1.08m
- Medicines Management £1m
- Other support to areas of QIPP non delivery/budget overspending £2.2m

9. Balance Sheet

The CCG Statement of Financial Position as at 29th February 2016 shows the level of indebtedness between the CCG and other parties (mainly NHS providers). Significant entries include:

- Accounts Receivable £15.05m.
- Accounts Payable £20.7m including agreed claims with NHS bodies
- Cash £0.04m..
- Provisions £0.34m – provisions created relating retrospective continuing healthcare claims

Statement of Financial Position	£
Non-Current Assets	**0**
Cash	41,667
Accounts Receivable	15,009,816
Current Assets	**15,051,483**
TOTAL ASSETS	**15,051,483**
Accounts Payable	20,714,221
Accrued Liabilities	340,776
Current Liabilities	**21,054,997**
Long Term Liabilities	**0**
Retained Earnings incl. In Year	(6,003,514)
Total Taxpayers Equity	**(6,003,514)**
TOTAL EQUITY + LIABILITIES	**15,051,483**

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10. Cash flow

The updated CCG plan for 2015/16 is £372.250m of cash for the period April to March including the requirements notified from the Business Services Authority. At the start of the year UHNM was advanced its March 2016 contract payment, resulting in the cash profile for the CCG being front loaded. This is consistent with the approach taken in previous years, but is not considered an “industry norm”.

11. Main Risks

The CCG set a **QIPP** programme for 2015/16 of £10.57m (net) with the majority of the savings profiled to be achieved in the latter part of the year with a high percentage of the plan to be achieved through planned care changes and reduced non-elective activity following implementation of the step down intermediate care plans. Performance to month 11 is behind trajectory and the reduction in emergency admissions is not evidenced in the two months following its implementation.

Systems resilience planning is giving rise to potential expenditure pressures significantly above planned budget levels across all SRG partners. For the CCG this has led to an additional number of claims for payment from providers which have been disputed. This has the potential to increase the risk exposure to the CCGs planned financial position and achievement of the control total. These issues continue to be worked through with the Systems Resilience Group.

12. Risk scenarios

The CCG has worked up high level risk scenarios that stem from a base position as per the current forecast.

On a **downside (pessimistic)** basis the level of budgetary pressures and risks to be mitigated is £7.48m. Should the risks fully materialise, and steps taken to mitigate not cover these risks then the control total would be exceeded by this value. This assumes no further QIPP delivery arises. In this circumstance the year end position would decline to a deficit position. The CCG cannot afford for any further deterioration of its financial position and practically this situation is unlikely to arise in full.

On a **realistic** basis the level of budgetary pressures and risks to be mitigated stands at £6.375m. These are targeted to be achieved through negotiated settlement of the two main provider contracts involved with specific reference to the transformation of step up and step down/intermediate care system. This is now thought to be unlikely and the assessed risk is summarised as a breach of the control total by £3.245m

Recommendation

The Governing Body is asked to:-

- note the contents of this report and executive summary regarding CCG performance against 2015-16 financial duties at the end of Month 11 of the financial year.
- note that the failure to deliver against the planned NHSE planned control totals will result in the CCG as being risk rated as Red with consequential interventions and scrutiny. This will then impact upon the 2016/17 planning.
- Note the range of risks to the 2015-16 financial plans and to support the actions being taken through the PMO to redress the financial shortfall against plans.