

Finance Report

Agenda Item 11 Paper 6	
Summariser:	Dan Brown, Head of Finance
Authors and contributors:	Dan Brown, Head of Finance
Executive Lead(s):	Matthew Knight, Chief Finance Officer
Relevant Committees or forums that have already reviewed this issue:	Finance and Performance Committee Audit Committee (re end of year accounting requirements)
Action required:	To Agree
Attached:	Please describe any attached papers
CCG Strategic objectives relevant to this paper:	Financial balance Core business: relevant to all / most objectives
Risk	Please insert any comments on whether this issue is or should be on the risk register and any generic comments about risk that may be relevant
Compliance observations:	Finance: Sets out financial compliance with control total and financial governance
	Engagement : Internal
	Quality impact: Significant changes to financial arrangements e.g. QIPP schemes are assessed for quality impact.
	Equality impact: Significant changes to financial arrangements e.g. QIPP schemes are assessed for equality impact.
	Privacy impact: No specific issues

EXECUTIVE SUMMARY

The purpose of this report is to:

- Present and provide commentary on the financial performance (Outturn) for the 2015/16 financial year (section 2).
- Report of the headline activity outturn for acute services (section 3).
- Report of the achievement of QIPP 2015/16 (section 4).
- Provide an update on 2016/17 planning (section 5).
- Report on the working capital position of the CCG (section 6).
- Report and update on finance operations (section 7).

The CCG submitted its draft annual accounts and annual report on the 22nd April in accordance with NHSE deadlines. The annual accounts are still subject to audit sign off as at 16/05/2016. It is expected that these will be submitted prior to the 27th May deadline, showing that the CCG has achieved its control total and can demonstrate that external audit is in agreement that the CCG is compliant with the requirements set out in the Department of Health Manual of Accounts.

The Governing Body is asked to AGREE that the report provides the necessary assurance on the Month 12 financial position.

Date of paper

18th May 2016

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Surrey Downs CCG: Finance and Activity Report M12

1. Purpose

The purpose of this report is to:

- Present and provide commentary on the financial performance (Outturn) for the 2015/16 financial year ([section 2](#)).
- Report of the headline activity outturn for acute services ([section 3](#)).
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2. Outturn

£M	2015/16 Outturn			2014/15	2014/15 v 2015/16
	Act	Bud	Var	Act	Var
Acute (incl SRG)	213.1	210.7	-2.4	211.3	1.7
Mental Health	24.7	25.3	0.6	24.0	0.8
Community	27.0	27.5	0.5	28.5	-1.6
CHC	21.9	22.1	0.1	23.3	-1.3
Primary Care	46.2	46.6	0.4	45.4	0.8
Other	13.8	14.1	0.3	2.8	10.9
Corporate	6.2	6.4	0.2	7.1	-0.9
Reserves	3.8	4.1	0.3	0.5	3.3
1% uncommitted	0.0	0.0	0.0	0.0	0.0
TOTAL	356.7	356.7	0.0	342.9	13.8
Allocation (A)	338.8	338.8	0.0	332.2	6.7
In year Surplus / Deficit	-17.9	-17.9	0.0	-10.7	-7.2
Cumulative surplus Deficit	-28.6	-28.6	0.0	-10.7	-17.9

2.1 Outturn

The CCG reported a deficit of £28.6m which is as per budget.

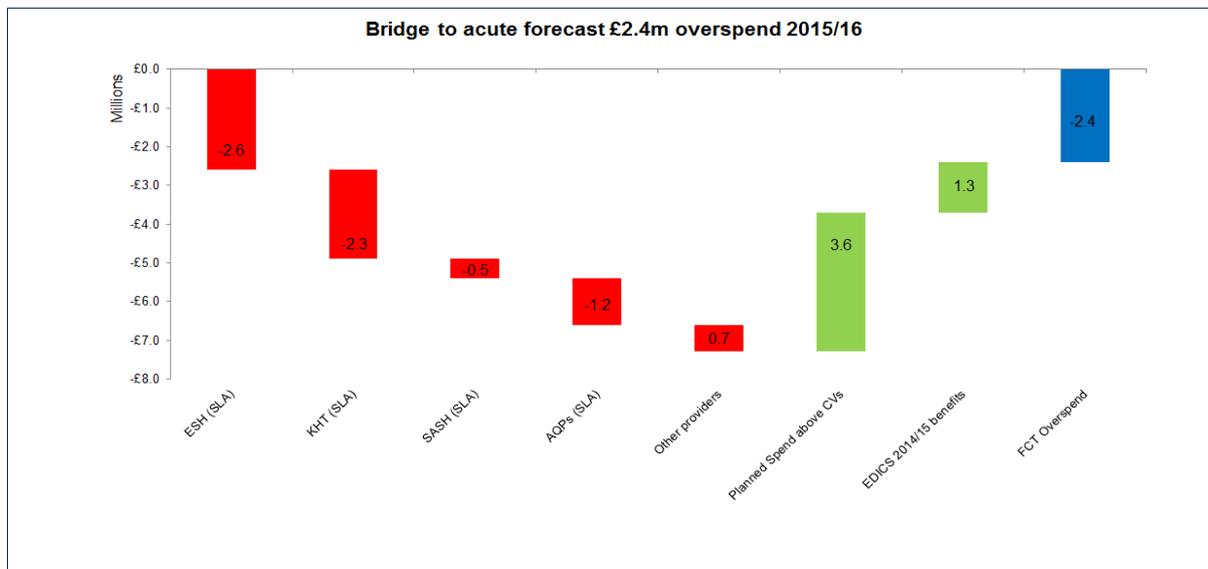
2.2. Adjustment to allocation M12

In M12 the CCG received an additional allocation of £2.3m for the 'Cytokine Modulator' drug. A contract variation was signed with Epsom and St Helier Hospital (who previously paid for the drug from its own budget) and £2.3m was subsequently billed by the Trust to the CCG i.e. there was no

surplus or deficit impact of the transfer, since the allocation received and amounts invoiced from the Trust were equal. The CCG will assume responsibility for the management of the Cytokine Modulator drug from 2016/17 onwards.

2.3 Acute Outturn 2015/16

Acute spend (including SRG spend) in 2015/16 was overspent by £2.4m (£213.1m vs. a to date budget of £210.7m). The following table highlights the key reasons for the overspend.



As above, the main driver behind the overspend was overperformance at Epsom and St Helier Acute and Renal and SWLEOC ('ESH') and Kingston Hospital ('KHT').

ESH overperformance was driven by increased activity in outpatient and elective procedures. It should be noted that the overspend versus budget position was mitigated by the fact that the year end deal concluded with Epsom in December 2015 in effect represented a discount against the actual underlying activity. Total spend 2015/16 was £100.407m compared to £97.843m in 2014/15, an increase of £2.564m (2.6%) year on year.

KHT overperformance was driven by outpatient and emergency outpatient and emergency procedures. Total spend 2015/16 was £26.975m compared to £25.768m in 2014/15, an increase of £1.207m (4.7%) year on year.

As above and per previously reported, the CCG included a £3.6m '**headroom**' line in its acute programme budget, recognising that the likely growth would be higher than that agreed in the baseline contracts in 2015/16. The £3.6m was released in full to offset the impact of the overperformance on the main providers (primarily ESH and KHT, above).

The CCG also benefitted from £1.3m of credits arising as a result of the settlement of **EDICS**, a historic legal dispute between the CCG and EDICS Ltd: the CCG had expensed 1.3m of invoices in a prior period which following the settlement it no longer had a liability to pay and, therefore, was able to credit these costs back as a benefit to the I&E in 2015/16.

2.4 Non Acute Outturn

Non acute outturn was £2.4m underspent in 2015/16. This underspend netted off against the corresponding £2.4m overspend in acute (above 2.1.2) which meant the CCH reported outturn figures in line with budget 2015/16. The reasons for the £2.4m underspend are summarised in the table below.

£M	2015/16 Outturn			Comments on outturn variance
	Act	Bud	Var	
Mental Health	24.7	25.3	0.6	Underspend on IAPT of £0.45m due to lower uptake of services (£1.2m spend v budget of £1.65m) plus Psychiatric Liaison Service funded through (SRG £0.1m)
Community	27.0	27.5	0.5	Lower NHS property services charge £3.9m vs budget of £4.1m (£0.2m underspend) plus underspend on main CSH contract due to cross funding from other budgets eg Dorking beds funded through SRG (£0.3m underspend) plus prior year accrual release (£0.1m)
CHC	21.9	22.1	0.1	Underspend on back log business case investment
Primary Care	46.2	46.6	0.4	Prescribing budget underspent by £0.3m (£39.9m outturn v budget of £40.2m) plus meds management service underspent £0.1m due to lower staff and running costs (£0.4m outturn vs budget of £0.5m)
Other (B)	13.8	14.1	0.3	Underspend of £0.3m on patient transport services due to change of provider in October 2015
Corporate	6.2	6.4	0.2	One off credit received from NHSE legacy team re EDICS legal and administrative costs (£0.2m) following EDICS settlement May 2015
Reserves	3.8	4.1	0.3	Underspend of £0.3m to slower ramp up on CMT/CMST schemes
TOTAL	143.7	146.1	2.4	Net underspend on non acute services

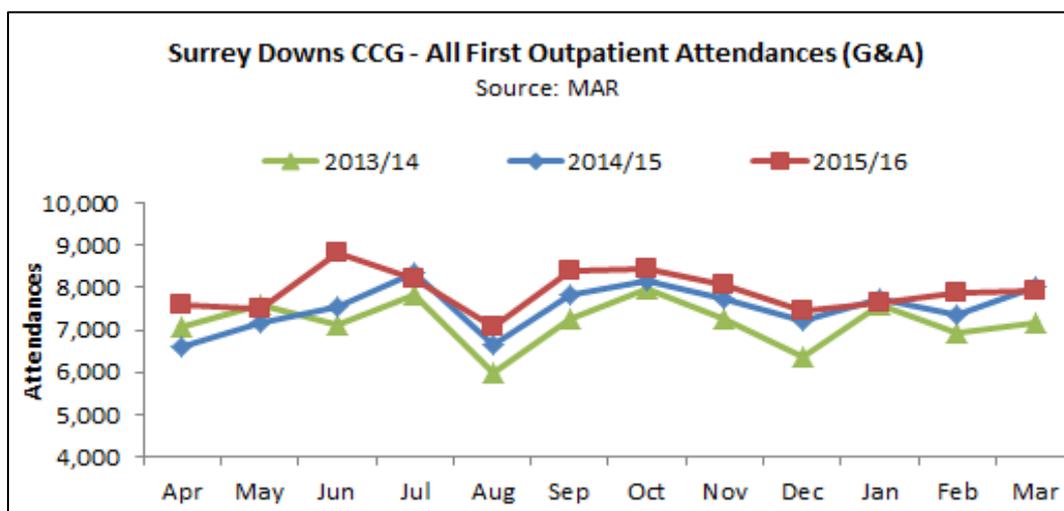
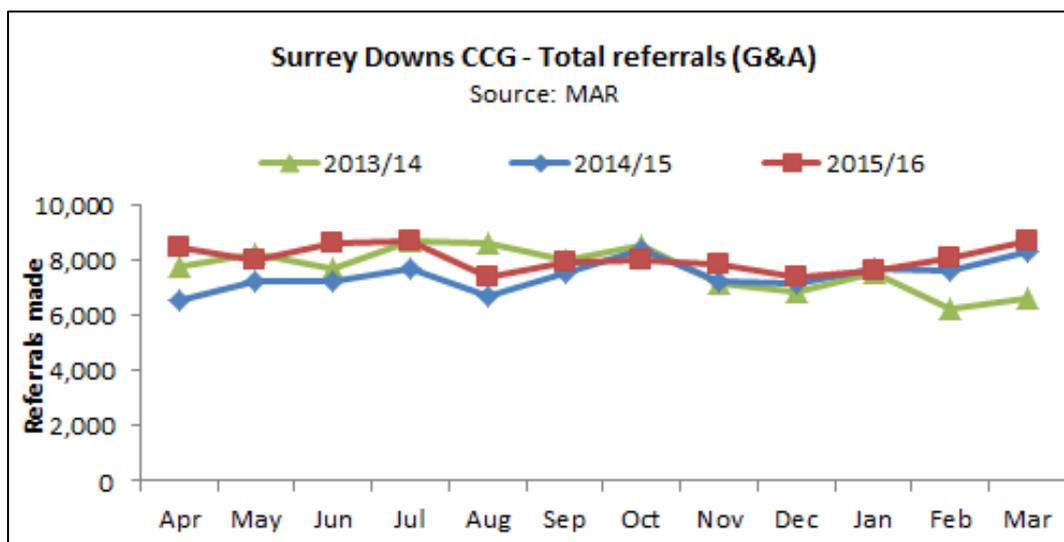
Of the reserves budget £4.1m (above), £1.7m related to contingency which it is required to budget for as per NHS business rules. The remaining £3.4m budget related to investments, against which the CCG spent £3.1m split as follows:

- **£1.1m: CHC National Risk Pool Contribution** (mandated contribution to a national risk pool scheme)
- **£1m: Payments to providers for CMT/CMSP schemes** (Central Surrey health, Dorking Healthcare limited, GP Partners Limited, Surrey Medical Network Limited)
- **£1m: Other investments** (eg CADU, PPL, Turanround Director, contribution to South West London Collaborative etc.)

3. Acute Activity 2015/16

Total referrals for 2015/16 as compared to 2014/15 increased by 8.2% however this includes an unusually high Q1. The referral rates have slowed and when looking at outpatient growth rates, these have also slowed from a peak in Q1 2015/16 to an annual growth rate of 5.3%.

For 2016/17, the CCG will be assessed on its activity plan as defined in the Operating Plan which includes an ambitious QIPP adjustment. The CCG plans to reduce its annual outpatient first attendance and referral rates by 1.3%.



4. QIPP

4.1 Overall QIPP performance 2015/16

The CCG reported £9.8m of QIPP has having been delivered in 2015/16. The original QIPP target for the year was £12.8m but, as previously reported, the CCG decreased its QIPP forecast in M5 from the budgeted £12.8m to £9.8m. This reduction in forecast stemmed primarily from a reduction in £2.0m across outpatient / elective reduction schemes where the original QIPP plans were scaled back to reflect a slower trajectory to a 20% reduction in activity by the 2015/16 financial year end. At M5, the CCG replanned and reforecast the QIPP to the revised £9.8m and from that point onwards reported and tracked QIPP against the revised target.

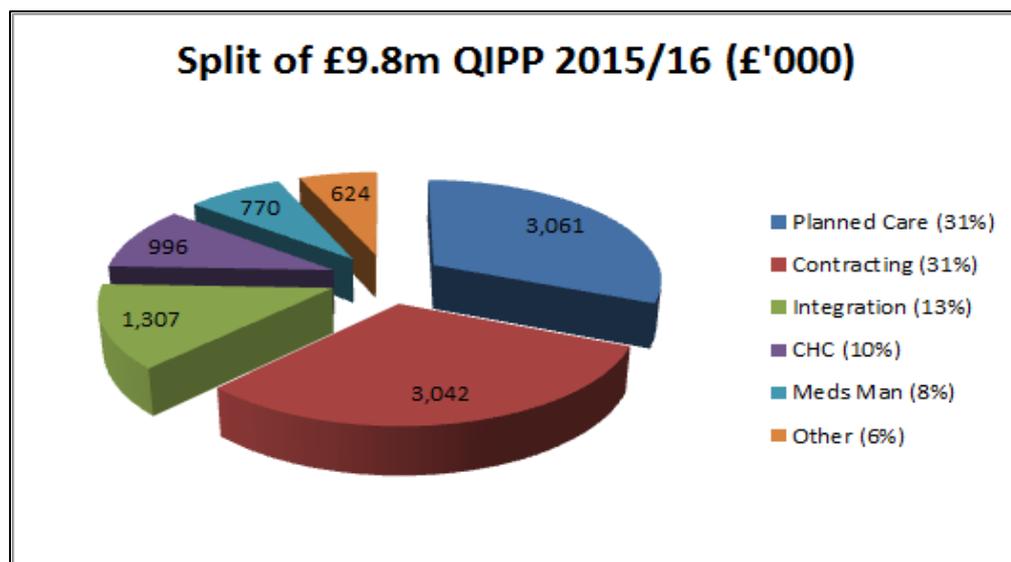
The shortfall in QIPP against original target was mitigated by other underspends and did not impact the overall position for the CCG, which was as per budget. The £9.8m of QIPP recorded in 2015/16 is a significant increase (£5m) on the QIPP recorded in 2014/15.

4.2 Breakdown of delivered QIPP 2015/16

The split of 2015/16 QIPP between **transactional and transformational** and prior year comparators are presented below:

£M	Full Year			2014/15	15/16 to 14/15
	Act	Bud	Var	Act	Var
Transactional					
Acute	4.2	5.8	-1.6	2.6	1.6
CHC	1.0	1.0	0.0	1.1	-0.1
Subtotal	5.2	6.8	-1.6	3.7	1.5
Transformational					
Acute	3.3	5.3	-2.1	0.6	2.6
Other	1.3	0.7	0.6	0.5	0.9
Subtotal	4.6	6.0	-1.4	1.1	3.5
TOTAL QIPP	9.8	12.8	-3.0	4.8	5.0

The split of the £9.8m by **area of QIPP scheme** is shown below:



5. Working capital

5.1 Cash

The CCG had a Maximum Cash Drawdown (MCD) in 2015/16 of £354.4m which was spent in full in 2015/16, leaving the CCG with a cash balance of £51K at 31.03.2016.

5.2 Debtors / Creditors

The CCG recorded receivables of £4.0m at 31.03.2016 compared to receivables of £6.1m at 31.03.2015 and payables of £44.9m at 31.03.2016 compared to payables of £49.2m at 31.03.2015.

6. 2016/17 Planning and Contracting

6.1 2016/17 plan submission

The CCG has submitted a financial plan for 2016/17 as per NHSE requirements. The position in the 2016/17 financial plan template is consistent with that presented in the CCG's FRP (updated April 2016). The plan budgets for an 'in-year' deficit of £8.7m. Added to the cumulative deficit of £28.6m reported above, the CCG's budgeted cumulative deficit at the end of 2016/17 is £37.3m.

6.2 Five year plan 2016/17 – 2020/21

The CCG will be required to formally submit a five year plan to NHSE in June 2016. The CCGs preliminary view is that it will achieve a cumulative breakeven by the end of the five year period.

6.3 Contracting status 2016/17

The contracting status with each significant acute provider is as follows:

	2015/16 Outturn			Note
	Value Agreed	Signed	Value (£m)	
ESH (incl SWELEOC)	Yes	Yes*	105.0	Head of Terms signed 24/06/16. Full contract pending
KHT	Yes	No	26.5	Agreed - pending paperwork**
Surrey and Sussex	Yes	No	13.3	Agreed - pending paperwork**
St Georges	No	No	-	Still being negotiated by CSU
SECAMB	Yes	No	9.2	Agreed - pending paperwork**
Ashford and St Peters	Yes	No	5.0	Agreed - pending paperwork**
Royal Surrey	No	No	-	Still being negotiated by CSU
Royal Marsden	?	?	?	Holding letter received from Sutton CCG
TOTAL	-		159.0	Agreed / pending paperwork

* Head of terms only - full contract still pending
 ** Note SD CCG is not the lead commissioner, so agreements might have been signed by lead commissioners but SDCCG is still awaiting the associate contract documentation

The total acute budget for 2016/17 (excluding SRG) is £207.3m, therefore the above contracts agreed / pending paperwork represent ~75% of the total contracts for 2016/17.

6.4 QIPP 2016/17

The QIPP target for 2016/17 is £19.6m. Of this £16.0m is fully identified against a combination of schemes which are either full year effects continuing from 2015/16, approved as new schemes for 2016/17 or currently undergoing project approval. Work is underway to address the remaining gap of £3.6m.

7. Finance Operations

1. The CCG submitted a revised FRP to NHSE in April 2016
2. The CCG submitted its draft annual accounts and annual report 22 April in accordance with NHSE deadlines. The annual accounts are still subject to audit sign off as at 16/05/2016.

END

Appendices

- 1 M12 Outturn Detail**
- 2 M12 Acute Spend Detail**
- 3 M12 Activity Detail**
- 4 M12 Running Cost Detail**
- 5 M12 QIPP performance summary**

Appendix 1: M12 Outturn (Detail)

SURREY DOWNS CCG - M12 OUTTURN REPORT BY PROGRAMME 2015/16									
M12	M ACT £K	M BUD £K	M Var £K	YTD ACT £K	YTD BUD £K	YTD Var £K	Var % (-ve = under) %	FOT M-1 £K	FOT var (-ve = fav) £K
Mental Health	2,261	2,500	-239	24,750	25,327	-577	-2.3%	25,110	-360
Acute	20,384	18,955	1,429	211,314	208,893	2,420	1.2%	207,354	3,960
WR	190	229	-39	1,752	1,772	-19	-1.1%	1,972	-220
Primary Care	3,814	3,870	-56	46,240	46,629	-389	-0.8%	46,328	-88
CHC	1,738	1,846	-107	21,946	22,071	-125	-0.6%	22,071	-125
Community	1,887	2,294	-407	26,975	27,524	-550	-2.0%	27,269	-294
Reserves	-79	340	-419	3,820	4,090	-270	-6.6%	4,090	-270
Other (ii)	1,186	1,174	13	13,766	14,083	-317	-2.2%	13,883	-117
Running Costs	227	421	-194	6,176	6,358	-182	-2.9%	6,358	-182
Total Expenditure	31,609	31,628	-19	356,739	356,747	-8	0.0%	354,435	2,304
Allocation	-29,213			-328,134	-328,134	0	0.0%	-325,822	2,312 (iii)
Surplus (Deficit)	-2,395			-28,605	-28,613	-8	0.0%	-28,613	8
Prior year deficit (i)								10,745	
In Year								-17,868	

(i) Note prior year deficit of £10.7m deducted from allocation 2015/16 therefore reported deficit to NHSE is £10.745m greater than CCG target deficit (£17.8m)

(ii) Budget of £14.0m includes £7.5m adult care fund money to be paid to Surrey CC as part of BCF

(iii) CK drugs allocation transfer from ESH (matched by equal cost)

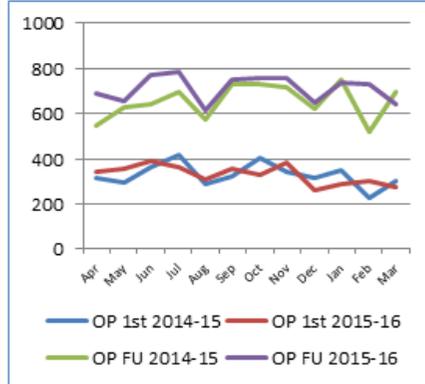
Appendix 2: M12 Acute Spend (Detail)

SURREY DOWNS CCG - M12 ACUTE SPEND BY PROVIDER 2015/16						
	BUD	Outturn	Var to BUDGET	2014/15	2014/15 v 2015/16	2014/15 v 2015/16 (%)
Epsom and St Helier (incl SWELEOC)	97,830	100,407	-2,577	97,843	2,563	2.6%
Kingston Hospital	24,666	26,975	-2,309	25,768	1,207	4.7%
Surrey and Sussex.	13,626	14,121	-495	13,872	249	1.8%
St George's Healthcare	9,291	9,617	-326	9,414	203	2.2%
South East Coast Ambulance Trust	9,006	9,082	-76	9,059	23	0.3%
Royal Surrey County Hospital	7,169	6,830	339	6,992	-162	-2.3%
Ashford & St Peter's	5,058	5,327	-269	5,048	279	5.5%
Royal Marsden.	4,930	5,109	-179	4,903	206	4.2%
Guy's and St Thomas'	2,264	2,288	-24	2,157	130	6.0%
Kings	685	669	16	874	-206	-23.5%
Moorfields.	961	1,031	-71	1,065	-33	-3.1%
Chelsea and Westminster	522	445	77	520	-74	-14.3%
Royal Brompton & Harefield	875	954	-79	869	85	9.7%
Royal National Orthopaedic Hospital.	422	432	-11	397	35	8.9%
University College London	1,165	1,200	-35	1,059	141	13.3%
Queen Victoria.	764	817	-52	639	177	27.7%
Imperial College	727	579	148	701	-122	-17.4%
Frimley Park	538	386	152	346	40	11.6%
GOS	249	314	-65	268	46	17.1%
QM Roehampton	748	680	68	508	172	33.9%
					0	
Tier 1 (per WD5 report)	181,494	187,262	-5,768	182,303	4,959	2.7%
Ramsay	4,618	4,567	51	4,983	-416	-8.3%
Epsom	5,929	6,469	-541	6,705	-236	-3.5%
Dorking	6,155	6,889	-734	6,882	8	0.1%
Independents (per WD 5 Report)	16,702	17,926	-1,223	18,570	-644	-3.5%
Non Contract Activity	3,765	2,460	1,305	3,702	-1,242	-33.5%
Other Tier 2	2,471	2,326	145	3,075	-749	-24.4%
Acute contingency	3,597	0	3,597	0	0	-
EDICS Accrual	0	-1,310	1,310	0	-1,310	-
Other NHS budgets	967	2,696	-1,629	1,942	754	38.8%
"Non WD5" acute spend	10,800	6,172	4,628	8,719	-2,547	-29.2%
SRG	1,771	1,752	19	1,771	-19	-1.1%
GRAND TOTAL	210,767	213,111	-2,344	211,363	1,748	0.8%

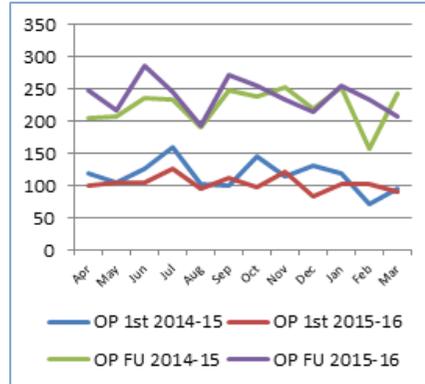
Appendix 3: M12 Referral Activity (Detail)

Referrals (Outpatient 1st & Follow Up (inc Procedures) referrals by source)

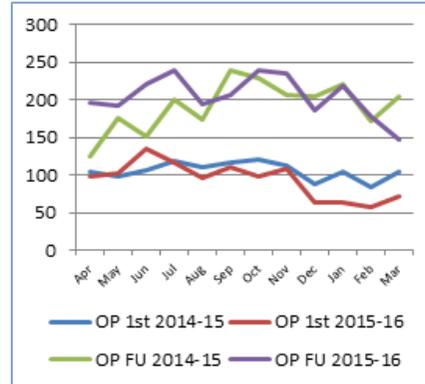
All Types



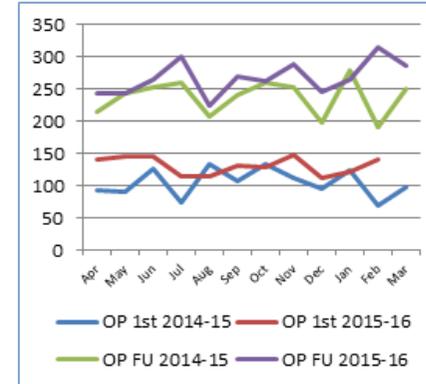
GP



C2C

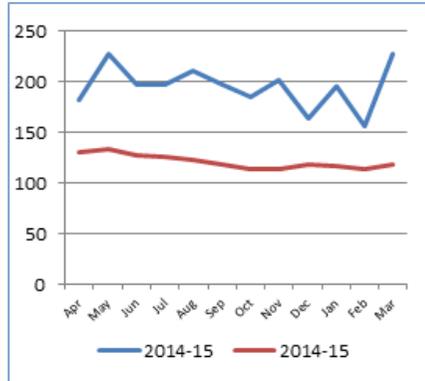


Other

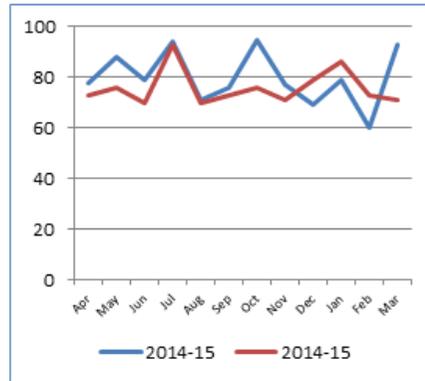


Activity (Total activity by POD)

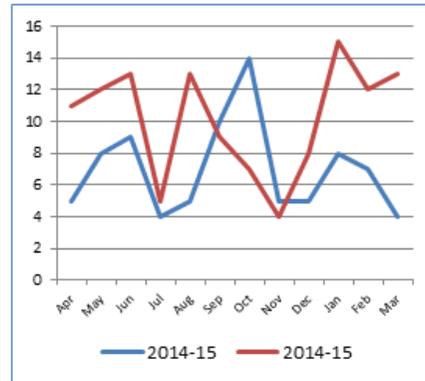
A&E (all types)



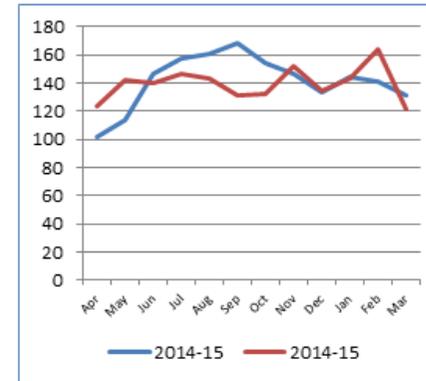
Emergency



Non-Elective Non-Emergency



Elective



Appendix 4: M12 Running Costs (Detail)

SURREY DOWNS CCG - M12 OUTTURN REPORT RUNNING COSTS 2015/16

M6	<u>YTD</u> <u>ACT</u> <u>£K</u>	<u>YTD</u> <u>BUD</u> <u>£K</u>	<u>YTD</u> <u>Var</u> <u>£K</u>	<u>Var %</u> <u>(-ve = under)</u> <u>%</u>	
CEO/Board Office	992	704	287.7	40.9%	Exit package to former Chief Executive plus Q4 interim costs of CEO and Director of Clinical Quality
Chair and Non - Execs	678	692	-14.8	-2.1%	No significant variance to budget
Clinical Governance	355	444	-89.1	-20.0%	Underspent on establishment budget plus £37.5K of income not budgeted
Communications & PR	218	204	13.7	6.7%	No significant variance to budget
Contract Management	252	183	68.7	37.6%	Use of interim staff (budgeted as establishment / permanent)
Corporate costs & Services	2,174	2,051	122.4	6.0%	Higher miscellaneous CSU costs vs budget plus additional corporate governance head recruited mid year (not budgeted)
Estates and Facilities	605	799	-193.1	-24.2%	Lower Prop Co rent costs for Cedar Court plus minor works underspend
Finance and Legal*	-32	222	-253.3	-114.2%	EDICS credit of £200K received from NHSE legacy team
Human Resources	277	218	59.6	27.3%	Higher use of interim staff vs budget
Operations Management	293	409	-116.6	-28.5%	Underspend on clinical leads budget
Performance	88	152	-63.9	-42.1%	Budgeted post not filled
Strategy and Development	279	280	-0.9	-0.3%	No significant variance to budget
Total Expenditure	6,178.4	6,358.0	-179.6	-2.8%	

Appendix 5: M12 QIPP performance (vs revised target of £9.8m)

CATEGORY	NAME	Clinical Director / Lead	Executive Lead	Programme Lead	YTD Plan £	YTD Actuals £	YTD Variance £
PLANNED CARE	MSK	Dr Natalie Moore	James Blythe	Oliver MCKinley	649,581	533,170	- 116,411
	Dermatology	Dr Natalie Moore	James Blythe	Oliver MCKinley	232,370	166,684	- 65,686
	Practice Peer Review	Dr Natalie Moore	James Blythe	Oliver MCKinley	635,622	888,764	253,142
	AQP Price Review	N/A	James Blythe	James Blythe	725,000	454,250	- 270,750
	RSS	N/A	James Blythe	Oliver MCKinley	179,835	174,861	- 4,974
	POLCE - Prior Notification	Dr Natalie Moore	James Blythe	Oliver MCKinley	684,000	684,000	-
	Diabetes	Dr Natalie Moore	James Blythe	Oliver MCKinley	146,389	159,319	12,930
INTEGRATION	15/16 Community Hubs	Dr Simon Williams	James Blythe	Tom Elrick	1,000,000	1,307,000	307,000
CHC	CHC Contracts	Claire Fuller	Steve Hams	Lorna Hart	914,000	996,417	82,417
OTHER (CONTRACTING/BAU)	Medicines Management	Helen Marlow	Steve Hams	Helen Marlow	618,552	769,822	151,270
	Pharmaceutical Commissioning	Liz Clark	Steve Hams	Liz Clark	242,000	216,100	- 25,900
	Estates	N/A	Matthew Knight	Julian Wilmhurst-Smith	368,500	385,250	16,750
	PTS	N/A	James Blythe	Tom Elrick	59,000	64,900	5,900
	Improving Contracting	N/A	Matthew Knight	Moyra Costello	3,000,000	3,042,720	42,720
	Other	N/A	Executive	Executive	358,734	-	- 358,734
TOTALS					9,813,583	9,843,257	29,674