


Title of paper:	Finance Report
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Meeting:	Governing Body
Date:	10 th October 2014
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Purpose	To Agree	
	To Discuss	
	To Note	

Development

This report has been developed within the finance team; finance and Contracting issues are reviewed at each Executive Committee. It includes available finance reports up to the end of August 2014.

Executive Summary and Key Issues

The purpose of this report is to provide commentary on the financial performance of Surrey Downs CCG for the first five months of the financial year, to look forward to the outturn for the full year and to identify the risks in achieving that forecast.

The CCG is reporting a breakeven position for the period which is £0.5m adverse to budget. As noted below there are unexpected over performances at a number of Acute providers and these are currently under detailed review. For the current month the full year forecast remains in line with budget.

Recommendation(s):

To note.

Agenda item	13
Attachment	10

Attachments:

August finance report

Implications for wider governance

Quality and patient safety

No specific issues

Patient and Public Engagement

No specific issues

Equality Duty

No specific issues

Finance and resources

The risks highlighted mean that there is considerable uncertainty whether the CCG will be able to achieve its statutory requirement to break even.

Workforce

No specific issues

Information Governance

No specific issues

Conflicts of interest

No specific issues

Communications Plan

This paper is on the CCG web site

Legal or compliance issues

See above re break even.

Agenda item	13
Attachment	10

Risk and Assurance

This is on the CCG risk register

Finance Report September 2014

1 Summary

The purpose of this report is to provide commentary on the financial performance of Surrey Downs CCG for the first five months of the financial year, to look forward to the outturn for the full year and to identify the risks in achieving that forecast.

The CCG is reporting a breakeven position for the period which is £0.5m adverse to budget. As noted below there are unexpected over performances at a number of Acute providers and these are currently under detailed review. For the current month the full year forecast remains in line with budget.

The risks highlighted below mean that there is considerable uncertainty whether the CCG will be able to achieve its statutory requirement to break even.

2 Financial Operations Update

- (a) As previously reported, the guidance around CHC retrospective claims continues to be contradictory. However, the most recent indications from the Area Team support the conclusion that the only cost to be incurred by the CCG in the current year will be the £1,269k share of the £250m risk pool set up by NHSE.

We have included in debtors the £0.2m of prior year claims payments made year to date. We await guidance as to the precise method of reimbursement by NHSE.

- (b) As part of the transition away from South CSU, financial services and financial management activity (which broadly translates as management and statutory accounting), together with accounting support for the CHC team, is being transferred in-house whilst contract finance activity is transferring to South East CSU.

The financial management activity is a straightforward transfer for one individual. The financial services activity currently supports both Surrey Downs and Surrey Heath CCG's and neither of the two individuals in the team will transfer. The CHC finance manager currently supports CHC for Surrey Downs and Mental Health for North East Hants & Farnham and will not transfer. A new finance manager post is being created to support both financial services and CHC activity and an existing member of staff has been matched to the post. A permanent post in financial services is being recruited but an interim is in place to deal with transition at the end of the month.

We are working with SBS to ensure a smooth transfer of users from South CSU to the CCG and South East CSU with effect from 1st October.

- (c) There are currently two significant issues associated with specialised commissioning:
- i. Firstly, there is potential for a £0.5-1.5m current year transfer from Surrey Downs to London. There is a range to this possible adjustment depending if the allocation across Surrey is made by capitation (the lower amount) or postcode (the higher amount). This risk is reduced from approximately £3m originally identified for Surrey Downs following an exercise to reconcile the value of the transfer by individual provider. Whilst the lower values are believed to be more accurate NHS England have yet to confirm their agreement to the outcome of the reconciliation exercise.
 - ii. The second issue relates to last year where, as a result of timing, £3m of the transfer to specialised commissioning was non-recurrent. It is now being suggested this may become recurrent which would require a further £3m transfer in the current year.
- (d) The cost budget included in the 14/15 Plan was based on the full year forecast at December adjusted in line with NHSE guidance and for our investment plans and QIPP savings.

Besides QIPP savings of £12.4m, of which £3.3m remains to be identified, year on year cost pressures include a £3.3m surplus requirement, £1.5m vulnerable patient funding and GUM clinic costs of £0.8m making 14/15 a very challenging year.

The risks highlighted in Section 4 mean that there is considerable uncertainty whether the CCG will be able to achieve its statutory requirement to break even.

3 Performance

	Month	Month	Variance	YTD	YTD	Variance	Full Year	Full Year	
	Actual	Budget	Fav/(Adv)	Actual	Budget	Fav/(Adv)	Forecast	Budget	Variance
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Acute	16.9	16.3	(0.6)	84.8	82.5	(2.3)	196.0	196.0	0.0
Mental health	2.1	2.1	0.0	10.1	10.3	0.2	25.1	25.1	0.0
Community	2.4	2.4	0.0	12.2	12.1	(0.1)	28.9	28.9	0.0
Continuing care	2.0	1.9	(0.1)	9.3	9.5	0.2	22.7	22.7	0.0
Primary care	3.5	3.7	0.2	18.5	18.9	0.4	45.5	45.5	0.0
Other	0.2	0.2	0.0	1.2	1.1	(0.1)	2.6	2.6	0.0
Running costs	0.5	0.5	0.0	2.7	2.7	0.0	6.6	6.6	0.0
Reserves	0.1	0.3	0.2	0.5	1.7	1.2	3.6	3.6	0.0
	27.7	27.4	(0.3)	139.3	138.8	(0.5)	331.0	331.0	0.0
Allocation	27.7	27.7	0.0	139.3	139.3	0.0	334.3	334.3	0.0
Surplus/(Deficit)	0.0	0.3	(0.3)	0.0	0.5	(0.5)	3.3	3.3	0.0

Year to date performance

- M5 Acute numbers are based on extrapolated M4 activity data. There is over performance at Epsom and St Helier, Kingston, SaSH, SWLEOC and Royal Marsden. There has been growth of 19% in non-elective admissions in the first quarter of the year compared to the same period last year with Epsom and St Helier (30% growth) being the biggest driver. Zero length of stay admissions at Epsom & St Helier, likely to be as a result of the Ambulatory Care Unit, have shown a significant increase – excluding this, Epsom and St Helier shows a 6% increase. There has also been a marked increase in A&E activity across a number of Trusts with over 75 activity increasing by 18% and 14% in June & July compared to last year. In addition, Epsom and St Helier included in M4 a non-elective excess bed day charge for one client representing 1,460 days and £350k cost.
- Continuing Care is under budget due to both programme costs, mainly around numbers of mental health and physical disability clients, and running costs, partly phasing due to the late start of the programme to deal with the assessment backlog.
- The Primary Care underspend is driven largely by positive performance in prescribing costs for the first quarter.
- The charge to Reserves represents the contribution towards the NHSE pool for CHC retrospective reviews for the period prior to 1st April 2013. The year to date underspend arises due to the timing of investments falling later in the year. The budget includes the planned contingency and investment spend offset by an unidentified QIPP of £3.3m.

- At this stage, the full year forecast is in line with budget at a surplus of £3.3m. This assumes achievement of budgeted QIPP of £10.8m although, as noted above, £3.3m is currently unidentified.

4 Key Financial Risks

The major risks and mitigations in achieving the full year forecast are as follows:

(a) Risks and budget challenges

- Unidentified QIPP of £3.3m;
- Delivery of total QIPP of £10.8m;
- Specialised commissioning transfers to NHS England;

(b) Mitigations

- Uncommitted investment fund of £3m;
- Quality Premium payment (£tbc);
- Contingency of £0.6m;
- Acute contract challenges following the re-structure of the contract finance team and the additional CCG resource being allocated to the process;
- Potential underspend on current year Whole Systems Partnership monies;
- Resilience monies.

5 Cash

The year to date cash drawdown of £121.5m is £1.2m under budget with a month end cash position of £2.4m.

