

Title of paper:	Finance report
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Locality:	All
Meeting:	Governing Body
Agenda item:	11
For:	Discussion
<p>Brief summary: The purpose of this report is to provide commentary on the financial performance of Surrey Downs CCG for the first quarter of the financial year, to look forward to the outturn for the full year and to identify the risks in achieving that forecast.</p>	
<p>Quality and patient safety issues: No direct impact</p>	
<p>Financial issues: The performance for the period is in line with budget and the current full year forecast remains in line with budget. The risks highlighted in Section 4 mean that there is considerable uncertainty whether the CCG will be able to achieve it's statutory requirement to break even.</p>	
<p>Workforce issues: No direct impact</p>	
<p>Statutory compliance: The CCG has statutory obligation to breakeven</p>	
<p>Conflicts of interest: None currently</p>	
<p>Risk and assurance: As noted above</p>	
<p>Accompanying papers:</p> <ol style="list-style-type: none"> 1) Financial results for the three months to June 2013. 2) Activity analysis for the 14 months to May 2013 	

Finance Report

Results for the three months to June 2013

1 Summary

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

The performance for the period is in line with budget and the current full year forecast remains in line with budget. There have been difficulties in obtaining data from providers resulting in more uncertainty than normal with the numbers.

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

2 Financial Operations Update

Overall operational finance is now working well and with good support from the NHS South CSU financial services team. Initially many users had access problems to the IFSE accounting system due to technical IT software issues but these are now resolved. Contract finance support is not yet working as well as anticipated and this is being addressed with the NHS South CSU.

The small NHS Surrey Legacy Team has struggled with processing invoices relating to 2012/13, particularly those under query – the largest volume relating to Continuing Health Care. This has caused some problems with suppliers and the CHC team is supporting resolution of these issues. A backlog of CHC invoices in query has been identified, mainly relating to Surrey County Council.

The NHS Surrey closing balance sheet at March is in the process of being divided up between the Surrey CCG's. Once completed the post year end cash transactions within NHS Surrey will also require allocation between CCG's. This process is due to be completed in August. There is some risk that NHS accruals for invoices may not have been adequate, which may result in additional costs to the Surrey CCG's

3 Allocation Adjustments

A revision to the CCG budget was agreed on 24th May. This increased the Surrey Downs allocation by £13.3m to £334.7m. £6.9m related to specialised commissioning, where there remains some uncertainty as to whether or not this will

be reversed, with the balance of £6.4m relating to a number of intra CCG adjustments.

4 Year to date performance

	YTD Actual £'m	YTD Budget £'m	Variance Fav/(Adv) £'m	Full Year Budget & Forecast £'m
Acute	50.3	49.4	(0.9)	198.9
Mental health	6.2	6.1	(0.1)	24.5
Community	7.3	7.2	(0.1)	28.7
Continuing care	5.2	5.5	0.3	22.9
Primary care	10.3	10.3	0.0	42.0
Other	0.5	0.5	0.0	2.1
Running costs	1.5	1.5	0.0	6.1
Reserves	1.2	2.0	0.8	7.9
	<hr/>	<hr/>	<hr/>	<hr/>
	82.5	82.5	0.0	333.1
Allocation	83.7	83.7	0.0	334.7
Surplus/(Deficit)	<hr/>	<hr/>	<hr/>	<hr/>
	1.2	1.2	(0.0)	1.6

Commentary:

- The provision of meaningful data from Acute providers is mixed at best. Where data is available it is cumulative to May and pro-rated up for June.
- At the time of finalising the accounts, the indications were that Acute contracts were overspent budget by circa £0.4m. In view of the risks associated with specialised commissioning an additional accrual of £0.5m was made. Subsequently, with more complete data, it would seem that there was an overspend of circa £0.2m which means that we have a larger cushion for specialised commissioning. Given the issues with data flows, this should be regarded as a preliminary position.
- Mental Health services are predominantly provided by Surrey & Borders Partnership under a block contract
- Community services are provided by Central Surrey Health under a block contract.
- Continuing care savings are due to lower than budgeted client numbers, particularly relating to learning disability, and lower than budgeted overheads due to lower than planned staff numbers.

- Primary care costs largely comprise prescribing costs and the Out of Hours and 111 services. Prescribing costs are notified to the CCG two months in arrears, with the costs for Q1 being pro-rated up from the April data. GP prescribing was over budget in month 1 by circa £130k but was offset by under spend elsewhere.
- 'Other' comprises non emergency patient transport plus sundry voluntary programmes such as hospice grants and carer breaks.
- The reserves cost to date includes £0.2m for Out Of Hospital strategy work plus a £1m general accrual.
- The surplus for the quarter is in line with budget at £1.2m. The full year surplus is budgeted at £1.6m but is front end loaded due to continuing healthcare costs being budgeted to increase during the year whilst most other costs, and our allocations, are spread evenly throughout the year.

4 Key Financial Risks

Certain financial risks, identified in the Operating Budget paper to the Board in May 2013, may impact on the CCGs ability to break even in the current year.

The key financial risks identified are:

- Specialised Commissioning - London Specialised Commissioning is seeking an additional £28m from the Surrey CCG's. Work is underway to validate this claim and to identify to which provider and CCG it relates.
- Continuing Health Care retrospective claims – a provision of £6.5m provision established by NHS Surrey may not be adequate. Under a risk share agreement with the other Surrey CCG's Surrey Downs is responsible for 24.7% of any excess above £6.5m. There is as yet insufficient information to determine the total expected cost.
- A change in the basis of property cost allocations plus unrecoverable VAT and property services corporate costs (risk up to £3m).
- Planned QIPP projects do not achieve the expected impact (total QIPP plan £10.7m – year to date estimate £1.25m).