

Title of paper:	Finance Report
Author:	Steve Rowland
Exec Lead:	Keith Edmunds, Finance Officer
Date:	27 th September 2-13
Locality:	All
Meeting:	Governing Body
Agenda item:	14
For:	Discussion
<p>Brief summary: The purpose of this report is to provide commentary on the financial performances 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.</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 its statutory requirement to break even.</p>	
<p>Workforce issues: No direct impact.</p>	
<p>Statutory compliance: The CCG has a statutory obligation to break even.</p>	
<p>Conflicts of interest: None currently.</p>	

Risk and assurance: As noted above.

Accompanying papers:

1. Financial results for the five months to August 2013.
2. Activity analysis for the sixteen months to August 2013.

Finance Update September 2013

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 Year to Date surplus of £0.6m is also in line with budget. Favourable positions in Mental Health (£0.4m), Continuing Care (£0.5m) and Reserves (£1.0m) are offset by adverse positions in Acute (£0.9m) and Primary Care (0.9m).

Overall the full year forecast remains in line with budget. An adverse position in Primary Care (£1m) is offset by a favourable position in Reserves (£1m).

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.

2 Financial Operations Update

As previously reported, there are a number of issues relating to unpaid invoices between CHC and Surrey County Council, some of which are historical (value of circa £1.5m). A meeting has finally been held with SCC with a number of actions agreed on both sides and a follow up meeting has been arranged for the end of October. It is too early to know the extent of any financial impact on the CCG.

As reported last month, the Surrey PCT closing balance sheet at March has now been divided up between the respective Surrey CCG's. The total allocated to Surrey Downs, including the liabilities of the Continuing Healthcare activity that is now hosted, was £28.1m. The next exercise, which is currently underway, is to allocate subsequent payments against balances and also to match invoices against accruals. In the meantime, very recent new guidance has been issued which is likely to result in a change to the CCG's total liability (although this is currently unknown). There is a risk that the PCT balance sheet liabilities were under stated at 31st March with a possible I&E impact (unknown at this stage). We understand that Surrey Downs CCG will be required to fund the total liability in cash – either directly, for those liabilities remaining in the PCT balance sheet, or, where payment was made by the PCT, via reduction in the cash allocation for the year. The CCG will be required to cover this additional cash requirement via effective working capital management.

3 Performance

	YTD Actual £'m	YTD Budget £'m	Variance Fav/(Adv) £'m	Full Year Forecast £'m	Full Year Budget £'m
Acute	84.2	83.3	(0.9)	199.2	199.2
Mental health	9.8	10.2	0.4	24.4	24.4
Community	11.9	11.9	0.0	28.6	28.6
Continuing care	8.9	9.4	0.5	22.9	22.9
Primary care	18.5	17.6	(0.9)	43.0	42.0
Other	0.9	0.9	0.0	2.1	2.1
Running costs	2.5	2.5	0.0	6.1	6.1
Reserves	2.3	3.3	1.0	6.9	7.9
	139.0	139.0	0.0	333.1	333.1
Allocation	139.6	139.6	0.0	334.7	334.7
Surplus/(Deficit)	0.6	0.6	0.0	1.6	1.6

Notes:

- The provision of meaningful data from Acute providers has improved from last month but is still not where it should be. Of the twelve largest providers, 9 have provided SLAM data for month 4, 2 for month 3 and 1 for month 2. Activity data runs at least one month in arrears and is prorated up to the current period.
- Of the major Acute providers Epsom & St Helier (£0.4m), Royal Surrey (£0.3m) and Ashford & St Peters (£0.3m) are all over performing. Kingston (£0.1m) & St Georges (£0.3m) are underperforming. A further general accrual of £590k was made this month. The total reserve against the potential transfer to the specialised commissioning group now stands at £2.6m.
- Mental Health is underspent by £0.4m. In prior months, IAPT (Integrated Approach to Physiological Therapies) costs were accrued to budget whereas now, following receipt of invoices, there is recognition of a slow build to the programme.
- Continuing care costs continue to oscillate on a monthly basis but year to date continue to be favourable to budget.
- GP prescribing costs are the largest component within Primary Care. The adverse position previously reported based on month 2 data has not deteriorated further in month 3 (the data being two months behind). However,

the results now recognise the costs of the Medicines Management team for the year to date (not accrued previously).

- Year to date charges to reserves comprise £0.3m for the one off contract management costs, £0.3m for BSBV/Out of Hospital strategy and a £1.7m general provision.
- The year to date surplus of £0.6m is in line with budget.
- The full year surplus is forecast in line with budget at £1.6m – we have increased prescribing costs by £1m (the estimated overspend for the year ranges from £0.5m to £1.6m) with a corresponding adjustment to Reserves (the 0.5% contingency).

4 Key Financial Risks

The key financial risks currently identified are:

- London Specialised Commissioning is seeking an additional £33m from the Surrey CCG's. During August the first disclosures by CCG were completed and this suggests a potential liability to Surrey Downs in the range of £10m to £14m.
- Cost of retrospective Continuing Health Care claims exceeds the £6.5m provision established by NHS Surrey (not quantifiable). Under a risk share agreement with the other Surrey CCG's Surrey Downs is responsible for 25% of any excess above £6.5m. To date, payments of £1.2m have been made for 60 claims but there is as yet sufficient 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).
- Change in terms of arrangements with Surrey and Borders Partnership relating to a programme of specialist and non specialist mental health services managed on behalf of the Surrey CCG's (risk up to £0.5m).
- Cash pressure due to the above plus drug costs for dispensing practices (risk circa £2.7m) and settlement of NHS Surrey balance sheet liabilities at 31st March (mitigation – management of year end balance sheet) (£28.1m).

5 Cash

During August the CCG received funding of £18m. Payments totalled £28.4m and receipts totalled £5.0m (of which £3.6m was CHC recharges to other CCG's). The month end cash balance totalled £6.2m. The month end cash position is reducing as we have more clarity over the timing of payments and our forecasting improves.

Year to date funding totals £105m compared to a spend of £139m – the balance being funded through working capital.