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| Title of paper: | Finance report | | |
| Author: | Dan Brown, Head of Finance | | |
| Exec Lead: | Matthew Knight, Chief Finance Officer | | |
| Date: | 27 th February 2015 | | |
| Meeting: | Governing Body | | |
| Agenda item: | 13 | Attachment: | 08 |
| For: | Discussion | | |
| Executive Summary: | | | |
| <p>The purpose of this report is to provide commentary on the financial performance of Surrey Downs CCG for the first 10 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>The full year forecast is a deficit of £10.7m (against a budget surplus of £3.3m). This is the same forecast deficit position as reported in the previous month, net of a rebate against Continuing Health Care.</p> | | | |
| Compliance section | | | |
| Please identify any significant issues relating to the following | | | |
| Risk Register and Assurance Framework | This is the most significant risk in the assurance framework and there are key related risks e.g. QIPP on the risk register. | | |
| Patient and Public Engagement | No specific issues | | |
| Patient Safety & Quality | There is a commitment to monitoring the impact of financial issues on quality and safety. | | |
| Financial implications | As per the report | | |
| Conflicts of interest | No specific issues | | |

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| Information Governance | No specific issues |
| Equality and Diversity | No specific issues |
| Any other legal or compliance issues | The CCG has a statutory duty to achieve breakeven and there are discussions taking place with NHS England on the measures required to achieve this and manage the implications in successive years. |
| Accompanying papers (please list): Month 10 finance report. | |
| Summary: What is the Governing Body being asked to do and why? Discuss the report as part of overall assurance on finance and financial controls. | |

Finance Report January 2015

1. Summary

The purpose of this report is to provide commentary on the financial performance of Surrey Downs CCG for the first 10 months of the financial year, to look forward to the outturn for the full year and to identify the risks in achieving that forecast.

For Month 10, the CCG has reported a year to date deficit of £5.9m, which is £8.1m adverse to budget. The adverse variance to budget to date is driven mostly by acute spend (£11.0m) as well as overspend on Community (£1.1m). These adverse variances are offset by other underspends on reserves (£1.6m), primary care (£0.5m, mostly prescribing), Mental Health (£1.0m), corporate costs (£0.6m) and CHC (£0.3m). The full breakdown of the YTD variance by programme line is in the performance table below.

The full year forecast is a deficit of £10.7m (against a budget surplus of £3.3m). This is the same forecast deficit position as reported in the previous month and is attributable to the activity driven overspend in acute services of £13.4m as well as an unbudgeted resource allocation transfer of £4.7m for specialised commissioning made to NHS England (giving a total forecast adverse variance to budget on acute services 2014/15 of £18.1m).

2. Financial Operations Update

The transfer of services from South CSU is now complete. The agreement of the final service specification and KPIs with South East CSU is still pending.

3. Performance to date / full year forecast

| Surrey Downs CCG | Actual YTD £m | Budget YTD £m | Var £m Fav/(Adv) | FY forecast £m | FY Budget £m | FY Var £m Fav/(Adv) |
|--------------------------|------------------|------------------|---------------------|-------------------|-----------------|---------------------------|
| Acute Services | 177.3 | 166.3 | (11.0) | 211.5 | 193.4 | (18.1) |
| Mental Health Services | 19.8 | 20.7 | 1.0 | 24.1 | 25.1 | 1.0 |
| Community Services | 25.0 | 23.9 | (1.1) | 29.8 | 28.7 | (1.1) |
| Continuing Care Services | 18.6 | 19.0 | 0.3 | 22.1 | 22.7 | 0.6 |
| Primary Care Services | 37.6 | 38.2 | 0.5 | 44.8 | 45.6 | 0.8 |
| Other Programmes | 2.2 | 2.1 | (0.0) | 2.8 | 2.6 | (0.2) |
| Corporate Costs | 5.8 | 6.4 | 0.6 | 7.1 | 7.6 | 0.5 |
| Reserves | 0.5 | 2.1 | 1.6 | 0.8 | 3.2 | 2.5 |
| Total | 286.8 | 278.7 | (8.1) | 342.9 | 328.9 | (14.0) |
| Allocation | (280.9) | (280.9) | 0.0 | (332.2) | (332.2) | 0.0 |
| Surplus/(Deficit) | (5.9) | 2.1 | 8.1 | (10.7) | 3.3 | (14.0) |

Winter pressures budget of £1.7m and actual expenditure is contained within 'Acute Services'
Specialised Commissioning budget transfer of £4.7m made against 'Acute Services'

Year to date performance

- M10 **Acute** numbers are based on extrapolated M9 activity data. The over performance to date is across the provider landscape with major variances at Epsom and St Helier (ESH), Kingston, SaSH, St George's, SWLEOC and Royal Marsden. Royal Surrey is the only major provider which is under performing. Epsom and St Helier is over performing significantly in both non-elective and elective activity, with, for example, increases in outpatient activity (first, follow up and procedures) of between 5% and 15%.
- **Mental Health** is forecast to be £1m underspent in year. This is due to projected underspend primarily on IAPT (-£0.5m) and dementia early diagnosis (£0.2m) underspend due to early cessation of the project. The remaining underspend of £0.3m is as a result of lower non-contracted activity (£0.1m) versus budget, as well as some one-off benefits in 2014/15, for example, a catch up credit for a prior year under-achievement of CQUIN (£0.1m)
- Underlying **Community** spend in 2014/15 is forecast to be £1.1m adverse to budget due to the cost of running community hospitals.
- The **Primary Care** underspend of £0.8m is driven largely by positive performance in prescribing costs for the first half of the year. Changes to the pricing of CAT M drugs with effect from 1st October are estimated to have a negative impact of £0.3m in the 2nd half year which will dilute expected second half savings.

- The projected **CHC** underspend of £0.6m is due to both lower programme costs (driven by lower numbers of high value mental health and physical disability clients) and lower running costs (a delay in the business case implementation and an underlying saving on staff costs).
- The projected **Reserves** underspend is as a result of a significant underspend in the investment budget.
- **Corporate costs** are currently projected to be £0.6m over original plan mainly due to the stranded and on-boarding costs associated with the South CSU transition, although overall they remain in line with the original allocation of £7m.

4. Key Financial Risks and Opportunities

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

(a) Risks and continuing challenges

- Further increases in acute activity over and above the M9 reported Acute position;
- EDICS – potentially +/- £1m compared to current balance sheet position;
- Disputed NHS property services costs.

(b) Mitigations

- Acute and AQP challenges;
- Additional prescribing upside;
- CHC assessments backlog.

The CCG had been in dispute with Epsom General Hospital regarding its tariff for ACU and the NEL threshold. This was resolved satisfactorily in January by mediation.

5 Cash

We are currently forecasting full use of our cash drawdown facility of £332m.