

Title of paper:	Finance and Activity Report (Month 2)		
Author:	Dan Brown, Head of Finance		
Exec Lead:	Matthew Knight, Chief Finance Officer		
Date:	10 th July 2015		
Meeting:	Governing Body		
Agenda item:	14	Attachment:	11a
For:	Agreement		
<p>Executive Summary:</p> <p>The purpose of the report is to provide assurance to the Governing Body on the CCG's financial position.</p> <p>At Month 2 there is no change to the likely Forecast Out Turn position (expenditure £356.2m and a deficit of £28.6m) which is as per budget.</p> <p>However, Governing Body members are asked to note that there are a number of significant risks to maintaining this position; these are set out in Section 5.</p> <p>There are a number of detailed data Sources which are reviewed in the finance and Performance Committee and the Executive which are available to Governing Body members on request.</p>			
<p>Compliance section</p> <p>Please identify any significant issues relating to the following</p>			
Risk Register and Assurance Framework	The position set out in the paper is consistent with the CCG's risk register and assurance framework which highlight that this is a high risk area.		
Patient and Public Engagement	No significant issues.		
Patient Safety & Quality	No direct issues although the various QIPP and other programmes are monitored to ensure that potential impacts on quality arising from the financial situation are managed.		

Financial implications	As set out in the report.
Conflicts of interest	No specific issues.
Information Governance	No specific issues.
Equality and Diversity	As with quality, the equality impact of QIPP and transformation programmes are formally monitored.
Any other legal or compliance issues	The CCG has had assurance withdrawn by NHS England in the area of finance and works closely with the sub regional team to ensure that all possible actions are being taken to address the issues.
Accompanying papers (please list): Month 2 Finance Report	
Summary: What is the Governing Body being asked to do and why? AGREE the month 2 position and forecast outturn as set out in the report	

Surrey Downs CCG: Finance and Activity Report M2

1. Purpose

The purpose of this report is to:

- Present and provide commentary on the financial performance (Outturn) for the first 2 months of the 2015/16 financial year.
- Present and provide commentary on the forecast outturn (FOT) for 2015/16.
- Report of the headline activity outturn for acute services.
- Report of the achievement of QIPP to date and forecast.
- Identify operational , contractual and financial risks (and potential mitigations) that might impact on the ability of the CCG to deliver to plan 2015/16.
- Report and update on finance operations.

2. Outturn and FOT

The table below gives the current and forecast position by category of expenditure.

£M	Year to date			Full Year		
	Act	Bud	Var	Act	Bud	Var
Acute (A)	34.5	34.5	0.0	209.0	209.0	0.0
Mental Health	4.3	4.2	-0.1	25.4	25.4	0.0
Community	4.8	4.8	0.0	28.8	28.8	0.0
CHC	3.7	3.8	0.1	22.0	22.0	0.0
Primary Care	7.6	7.7	0.1	45.8	45.8	0.0
Other	2.4	2.3	-0.1	14.0	14.0	0.0
Corporate	1.0	1.0	0.0	6.4	6.4	0.0
Reserves	0.7	0.8	0.1	4.8	4.8	0.0
TOTAL	59.0	59.1	0.1	356.2	356.2	0.0
Allocation	54.3	54.3	0.0	327.6	327.6	0.0
Surplus (Deficit) incl. 2014/5 deficit (B)	-4.7	-4.8	0.1	-28.6	-28.6	0.0
Surplus (Deficit) excl. 2014/5 deficit (B)	-2.9	-3.0	0.1	-17.9	-17.9	0.0

(A) Note SRG money £1.7m included in acute budget and actuals

(B) The allocation for 2015/16 includes a £10.7m deduction to reflect 2014/15 deficit adjustment which feeds through to the reported deficit of £28.6m in 2015/16. Without this, the FOT/Budget is a deficit of £17.9m as per agreed plan. Where deficit is referred to subsequently in this report, it is the higher number (i.e. including the £10.7m allocation adjustment) which is referred to.

Outturn

The CCG reported a M2 YTD deficit of £4.7m which is £0.1m favourable against the budgeted to date deficit of £4.8m. There were no significant variances to date on any programme. All reported variances to date reported were < £100K.

Acute spend to date of £34.5m is as per budget. The activity data available (M1) was reviewed and there were no significant variations or indicators of higher than budgeted activity which would impact on the to-date reported acute expenditure. Therefore, at M2 it has been assumed that the financial performance of acute spend is aligned with the 2015/16 budget.

Investments

Investments are budgeted to be £4.1m in 2015/16 and are recorded against 'Reserves'. Investments in 2015/6 include investments in CMT and CMSP. There are no variations to the current investments programme in terms of spend to date.

Forecast Out Turn

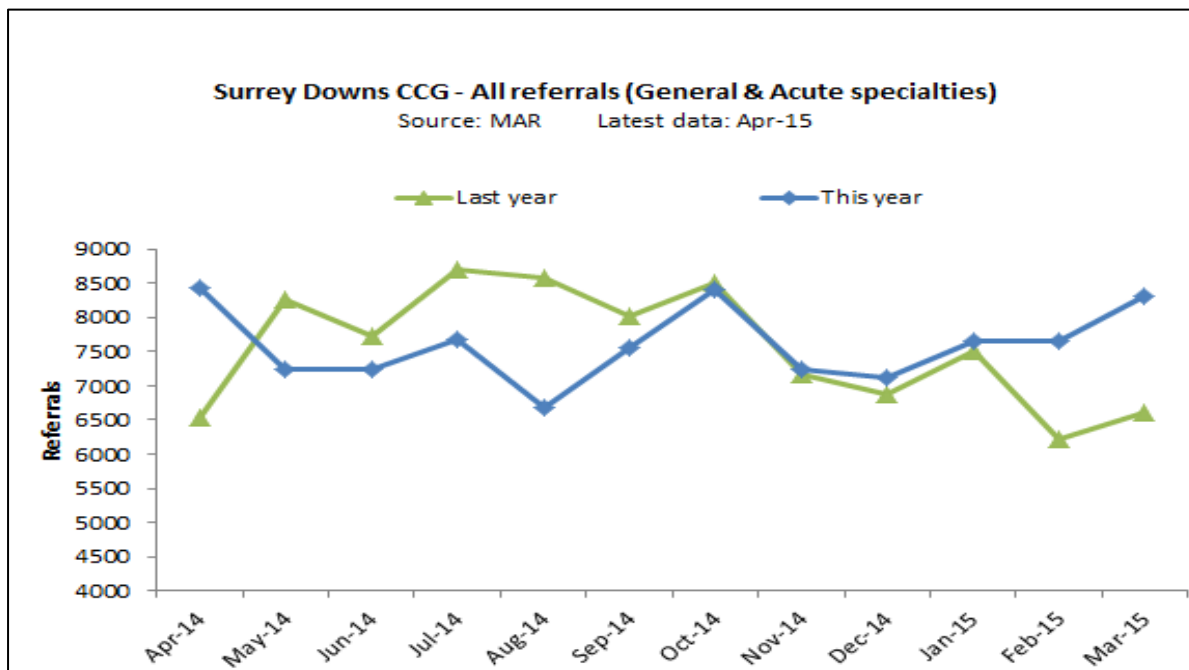
There is no change to the likely FOT (expenditure £356.2m and a deficit of £28.6m) which is as per budget.

3. Acute Activity

As commented on above in Section 2, the available SLAM activity data at M2 reporting relates to M1. The M1 SLAM data was reviewed and there were no significant variations or indicators of higher than budgeted activity which would impact on the to-date reported acute expenditure, or full year outturn.

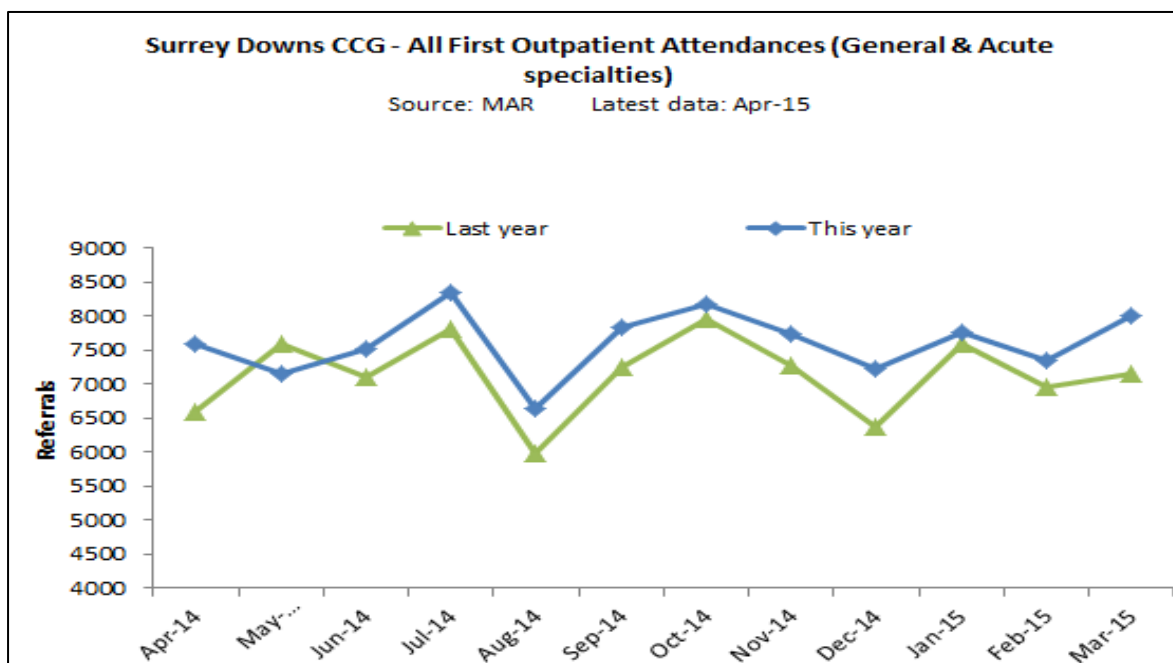
It should be noted that M1 data indicates that overall referrals have grown at all our key NHS acute trusts year on year (see graph on following page). This includes all sources of referrals.

Work is underway to triangulate all available sources of referral data to assess the materiality of any activity and financial impact on acute outturn in Q1 and later quarters.



It should also be noted that as well as referrals increasing, the number of 18 week wait 'incompletes' has also grown. The level of incompletes are currently running at 95.5% as at May 2015. The increase in referrals referred to above may be offset to some extent within increased waiting times whilst remaining within constitutional standards.

It should be noted that outpatient attendances (OPFA) have been relatively stable, though higher than previous years.



The CCG is expecting to sign its lead commissioner acute contract with Epsom at the start of July.

4. QIPP

£M	Year to date			Full Year		
	Act	Bud	Var	Act	Bud	Var
Transactional						
Acute	0.66	0.67	-0.01	5.80	5.80	0.0
CHC	0.04	0.04	0.00	1.00	1.00	0.0
Subtotal	0.70	0.71	-0.01	6.80	6.80	0.0
Transformational						
Acute	0.09	0.01	-0.01	5.30	5.30	0.0
Other	0.09	0.05	0.04	0.71	0.71	0.0
Subtotal	0.18	0.15	0.03	6.01	6.01	0.0
TOTAL QIPP	0.88	0.86	0.02	12.81	12.81	0.0

To date £880K of QIPP is being reported as delivered, which is on plan. The majority (£500K) of the delivered QIPP relates to Acute contracting (e.g. improved KPI negotiation, chemotherapy removal from baseline at ESH). Other areas of delivered QIPP relate to outpatient activity (e.g. diabetes outpatient reduction, £50K delivered).

The CCG is still forecasting to deliver £12.81m of QIPP 2015/6, which is in line with plan.

5. Risks and Mitigations to achieving budget

The significant **risks** in achieving the full year forecast or against the CCG fulfilling its financial obligations are as follows:

- (a) Non-delivery of £12.8m QIPP: whilst the CCG is currently reporting as being on track to deliver this, some of the larger QIPP savings are forecast later in the year and the realisation will be dependent on the success of the associated projects.
- (b) Further growth in acute spend over and above the CCG's underlying assumptions of 5%
- (c) Further changes (increases) to the budgeted NHS property charge of £4.7m.

(d) Whilst the cash made available to the CCG is on a 'Maximum Draw Down' basis and should be driven by expenditure needs rather than resource allocation, nevertheless the gap between the initial resource allocation the CCG will receive in 2015/16 of £327.6m and budgeted expenditure of £356.2m is significant. The CCG will need to manage the cash position carefully and will continue to seek assurance from NHSE that adequate funds will be made available for it to pay providers and suppliers.

The **mitigations** against these risks are:

- (a) The CCG still holds £1.6m of contingency as per agreed financial plan 2015/16.
- (b) Any delay or rationalisation of the investment programme of £4.1m would result in an in year saving.
- (c) Early commencement and realisation of planned 2016/17 QIPP schemes in the later part of 2015/16.

6. Finance Operations

Staffing / CSU

- SDCCG still has two substantive roles which are being filled by interim staff. A process has begun to recruit permanent staff to these two positions.
- The CSU Contract Management team currently comprises 2 interim staff. These staff will become 2.5 and substantive appointments have been made for all of these positions with start dates from late June/early July through to late August for the final post.
- The agreement of service specification, KPIs and a final contract between the CSU and SDCCG is still outstanding.

END

Title of paper:	CCG Budget 2015/16		
Author:	Matthew Knight, Chief Finance Officer		
Exec Lead:	Miles Freeman, Chief Officer		
Date:	10 th July 2015		
Meeting:	Governing Body		
Agenda item:	14	Attachment:	11b
For:	Decision		
Executive Summary:			
<p>The CCG has been in ongoing discussions with NHS England for some months regarding Surrey Downs long term recovery plan, the local transformation agenda, and the implications of this for the 2015/16 budget.</p> <p>NHS England has recently approved the CCG's budget for 2015/16 on the basis that this is the worst case and it is expected that the CCG will seek to improve upon it. The Governing Body is now asked to ratify this year's budget approval which is in effect the year one baseline for the three year recovery programme. The three year finances in the Financial Recovery Plan are not approved, as expected. Subsequent years' budgets will be approved in due course in accordance with the timetables for these periods.</p> <p>The allocation for this year is just under £328m. The CCG plans to exceed this net allocation by just over £28m with a total programmed expenditure of £356m. Just under £11m of this £28m deficit is attributable to the CCG's position at the end of 2014/15, which is deducted from the current year's funding. The total is inclusive of the CCG's running costs of just over £6.4m and a small contingency of £1.6m.</p> <p>Underlying assumptions to this budget are that the CCG will achieve its forecast QIPP savings of approximately 4.1% or £12.8, is able to effectively control supplier activity, and that there will be no further material costs or allocation changes. Governing Body members will be aware that unexpected changes in relation to the Better Care Fund and NHS Property Services were material factors in not achieving the planned position for 2014/15.</p>			
Compliance section			

Please identify any significant issues relating to the following:

Risk Register and Assurance Framework	Financial recovery and long term sustainability are on both the assurance framework and risk register
Patient and Public Engagement	Papers relating to the CCG's financial position and financial recovery programmes are available on the CCG's web site. The CCG is actively engaging the public on programmes that are designed to manage the deficit position.
Patient Safety & Quality	Any changes to services are assessed for quality impact in line with CCG policies.
Financial implications	As set out in the paper.
Conflicts of interest	No significant issues identified.
Information Governance	Any changes to services are assessed for privacy impact in line with CCG policies.
Equality and Diversity	Any changes to services are assessed for equality impact in line with CCG policies.
Any other legal or compliance issues	The CCG is under a legal duty to achieve breakeven.

Accompanying papers (please list): 2015/16 budget proposal

Summary: What is the Governing Body being asked to do and why?

The Governing Body is asked to approve the 2015/16 budget on the basis that:

- this is the agreed position with NHS England
- the planning assumptions are considered to be realistic at the time of approval
- that there is still significant risk in the system and that this will need to be managed
- There have been significant improvements to the CCG's system of internal controls with the creation of Finance and Performance Committee, enhanced programme management arrangements, and enhanced risk management arrangements

NHS Surrey Downs CCG 2015/16 Budget Proposal

Financial Position

Revenue Resource Limit

£ 000	2014/15	2015/16
Recurrent	328,484	337,818
Non-Recurrent	3,673	(10,235)
Total	332,157	327,583

Income and Expenditure

Acute	209,485	207,055
Mental Health	24,153	25,405
Community	28,843	29,666
Continuing Care	22,646	22,416
Primary Care	43,455	47,469
Other Programme	7,386	16,189
Total Programme Costs	335,968	348,200

Running Costs	6,934	6,358
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Contingency	-	1,638
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Total Costs	342,902	356,196
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£ 000	2014/15	2015/16
Surplus/(Deficit) In-Year Movement	(10,812)	(17,868)
Surplus/(Deficit) Cumulative	(10,745)	(28,613)
Surplus/(Deficit) %	-3.2%	-8.7%
Surplus (RAG)	RED	RED

Net Risk/Headroom	(262)
Risk Adjusted Surplus/(Deficit) Cumulative	(28,875)
Risk Adjusted Surplus/(Deficit) %	-8.8%
Risk Adjusted Surplus/(Deficit) (RAG)	RED

Underlying position - Surplus/ (Deficit) Cumulative	(10,621)	(12,631)
Underlying position - Surplus/ (Deficit) %	-3.2%	-3.7%

Contingency	-	1,638
Contingency %	0.0%	0.5%
Contingency (RAG)		GREEN

Notified Running Cost Allocation + Quality Premium	7,582	6,358
Running Cost	6,934	6,358
Under / (Overspend)	648	-
Running Costs (RAG)	GREEN	GREEN
Population Size (000)	300	303
Spend per head (£)	23.11	20.98

Key Planning Assumptions

		2015/16
Notified Allocation Change (£'000)		4,867
Notified Allocation Change (%)		1.5%
Tariff Change - Acute (%)		-0.8%
Tariff Change - Non Acute (%)		-0.3%
Demographic Growth (%)		1.1%
Non Demographic Growth - Acute (%)		3.8%
Non Demographic Growth - Cont.Care(%)		0.7%
Non Demographic Growth - Prescribing (%)		2.2%
Non Demographic Growth - Other Non Acute (%)		1.0%

Net QIPP Savings

£ 000	2014/15	2015/16
Recurrent (inclusive of full year effect)	4,540	12,811
Non-Recurrent	-	-
Total	4,540	12,811
% of Notified Resource	1.4%	3.9%
% Unidentified	0.0%	0.0%

Non Recurrent Requirement

£ 000	2014/15	2015/16
Value	8,036	3,270
Agreed plans in place	8,036	725
Difference	(0)	2,545