

<b>Title of paper:</b>	Month 5 Finance Report	
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<b>Meeting name and date:</b>	Governing Body 25 <sup>th</sup> September 2015	
<b>Agenda item &amp; attachment number:</b>	Item 16 Attachment 10	
<b>Attachments – please list or state “none”</b>	Month 5 Finance Report	
<b>Purpose of Paper (tick one only):</b>		
<b>For information only (to note)</b>		
<b>Requires discussion and Feedback</b>		
<b>For decision</b>		✓

## **Executive Summary:**

This report

- Gives an update on the financial performance of the CCG for the first 5 months of the 2015/16 financial year and gives indications on the forecast outturn (FOT) for 2015/16.
- Highlights issues in key sectors including acute activity and QIPP
- Identifies key risks (and potential mitigations)

### **Compliance section**

Please identify any significant issues relating to the following areas. Do not leave any boxes blank – if there are no compliance issues please state “no known issues”.

<b>Risk Register and Assurance Framework</b>	This is a significant area of risk as highlighted in the risk register and governing body assurance framework
<b>Patient and Public Engagement</b>	No specific issues but where service change is proposed to create a financially sustainable health economy, specific engagement and / or consultation is undertaken.
<b>Patient Safety &amp; Quality</b>	No specific issues
<b>Financial implications</b>	See report
<b>Conflicts of interest</b>	No specific issues
<b>Information Governance</b>	NO specific issues
<b>Equality and Diversity</b>	Impact assessments to projects relating to the FRP and QIPP are taken where required.
<b>Any other legal or compliance issues not covered above</b>	The CCG has a statutory duty to break even.

# Surrey Downs CCG: Finance and Activity Report M5

## 1. Purpose

The purpose of this report is to:

- Present and provide commentary on the financial performance (Outturn) for the first 5 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

£M	Year to date			Full Year		
	Act	Bud	Var	Fct	Bud	Var
Acute (A)	88.4	88.4	0.0	211.0	209.6	-1.4
Mental Health	10.4	10.4	0.0	24.8	24.8	0.0
Community	12.0	12.0	0.0	28.5	28.9	0.4
CHC	9.3	9.4	0.0	22.0	22.0	0.0
Primary Care	19.5	19.5	0.0	46.3	46.6	0.3
Other	5.9	5.9	0.0	14.1	14.1	0.0
Corporate	2.7	2.8	0.0	6.4	6.4	0.0
Reserves	2.0	2.0	0.0	4.0	4.7	0.7
<b>TOTAL</b>	<b>150.3</b>	<b>150.3</b>	<b>0.0</b>	<b>356.2</b>	<b>356.2</b>	<b>0.0</b>
Allocation	136.4	136.4	0.0	327.6	327.6	0.0
<b>Surplus (Deficit) incl. 2014/5 deficit (B)</b>	<b>-13.9</b>	<b>-13.9</b>	<b>0.0</b>	<b>-28.6</b>	<b>-28.6</b>	<b>0.0</b>
<b>Surplus (Deficit) excl. 2014/5 deficit (B)</b>	<b>-9.4</b>	<b>-9.4</b>	<b>0.0</b>	<b>-17.9</b>	<b>-17.9</b>	<b>0.0</b>

(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 M5 YTD deficit of £13.9m which is in line with budget.

### **Acute Spend**

Acute spend to date of £88.4m is as per budget.

The main Tier 1 providers (including AQPs) incurred an overspend of £914K to date versus contract plans based upon M4 SLAM data extrapolated to M5. The variance to date is driven by:

- Kingston Hospital – overperformance of £664K, primarily driven by combined outpatient procedures which are £416K overspent versus budget to date.
- Epsom and St Helier (Acute and Renal) – overperformance of £1,011K, driven by elective procedures being £616K, or 18.1%, over budget. The remaining overspend is being driven by outpatient activity.
- Epsom and St Helier (SWLEOC) underperformance -£860K, driven by a capacity shortage (consultant vacancy) in the early part of 2015/16.

The net overspend on the Tier 1 providers is offset by planned headroom in the Acute budget over and above the sum of contract values, and an underspend on urgent and planned care programme lines which are being funded through investments (as per plan). These offsets / upsides mean the CCG is reporting its YTD Acute position in line with 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. In the current month forecast, investments have been reduced by £0.7m following a delay in the community investment which will now commence later in the year (see following section).

## **FOT**

There is no change to the top level FOT (expenditure £356.2m and a deficit of £28.6m), which is as per budget. However, the forecast QIPP in 2015/16 has decreased by £3.0m from £12.8m to £9.8m, which is explained in further detail in section 4, "QIPP".

As a result of the reduction in forecast acute QIPP, whilst the overall forecast deficit position has not changed, the forecast position by activity stream has changed. The table below summarises the forecast movements between M4 and M5.

£M	FOT	Comment
Acute FOT @ M4	209.6	As reported at Month 4
QIPP	3.0	QIPP forecast reduced from £12.8m to £9.8m - see further details in Section 4
EDICS	-1.0	Invoice credits due to the settlement with EDICS
NCAs	-0.6	Underspend in 2014/15 (£400K - accrual release) and 2015/16 (£200K)
<b>Acute FOT @M5</b>	<b>211.0</b>	<b>FOT on acute spend has increased by £1.4m</b>
Non acute FOT @M4	146.6	As reported at Month 4
Investments	-0.7	Likely underspend on investments as a result of delay to CMT scheme
Primary care	-0.3	Likely underspend on prescribing
Community	-0.4	Likely underspend on community
<b>Non acute FOT @M5</b>	<b>145.2</b>	<b>FOT on non-acute spend has decreased by £1.4m</b>
<b>Total FOT @ M4</b>	<b>356.2</b>	
<b>Total FOT @ M5</b>	<b>356.2</b>	
<b>Overall movement</b>	<b>0.0</b>	<b>No change to overall forecast position</b>

The above table shows the mitigations in the forecast to offset the £3m acute QIPP reduction. These mitigations also total £3m and, as such, the overall FOT remains unchanged. However the acute FOT has increased by £1.4m from £209.6m to £211.0m, since not all the identified forecast mitigations are in the acute programme line.

#### FOT – acute spend only

It should be noted that pre QIPP adjustment of £3m, the underlying acute forecast versus contract plans for the main Tier 1 providers (including the main AQPs) is £3.1m adverse to budget for 2015/16, split as follows:

£M	Var to Budget	Comment
Epsom and St Helier (A&R)	2.4	Elective and outpatient overperformance vs budget
Kingston Hospital	1.4	Outpatient procedures
Epsom and St Helier (SWLEOC)	-0.6	Projected underspend due to Q1/Q2 capacity issue
Other net underspend	-0.1	Net underspends across remaining trusts
<b>Subtotal</b>	<b>3.1</b>	<b>Total forecast acute overperformance at M5 per M4 SLAM extrapolated 2015/16</b>

Of the £3.1m current forecast overperformance, £2.4m (77%) is attributable to a projected overspend at Epsom and St Helier (Acute and Renal site). The remaining forecast variance of £0.7m is driven by forecast overperformance at KHT of £1.4m, which is offset by a £0.6m forecast underperformance at Epsom and St Helier (SWLEOC). As per the forecast outturn variance, above, the adverse forecast variance of £3.1m can be offset by planned headroom of £3.8m that was included in the Acute budget over and above contract values.

The acute FOT is based on M4 SLAM data extrapolated for the full year based on the budget profile, adjusted for one-off items or assumptions. The key assumptions or adjustments included in the M5 FOT are:

1. The M4 SLAM data on SWLEOC reported an activity position that was closer to budget/plan for the month (i.e. the Trust is operating closer to planned capacity). Note that the forecast assumes the underperformance in Q1 2015/16 will not be caught up in the remainder of 2015/16 (i.e. there will be no subsequent overperformance later in the year to compensate for the underperformance in Q1).
2. The FOT for KHT includes assumptions on challenges which are risk-rated. Given this, there is a range of risk +/- on the current forecast for KHT of between £0.4m (favourable) and £0.6m (adverse). Were all the challenges to be successful, the FOT would decrease by £0.4m from £26.1m to £25.7m. Were all the challenges to be unsuccessful, the FOT would increase from £26.1m to £26.7m.

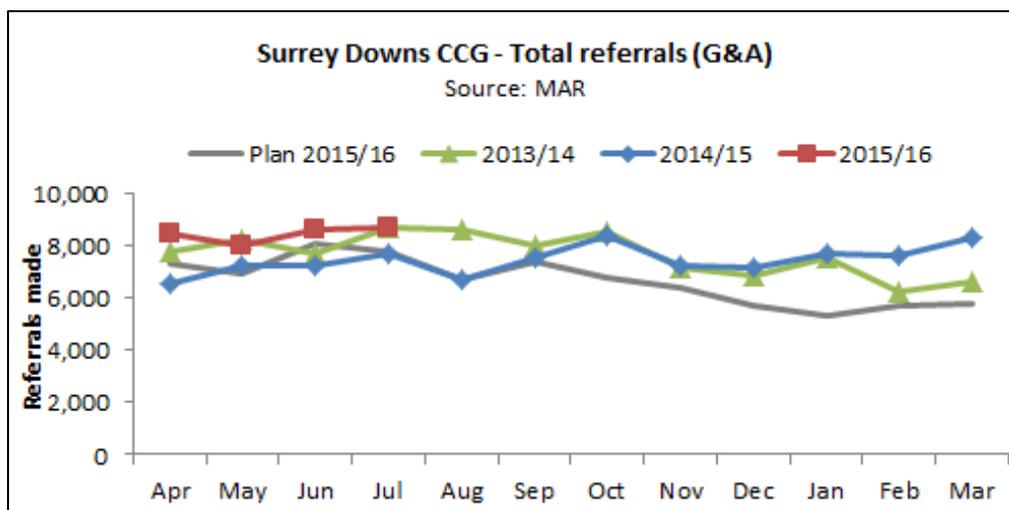
### Contracts

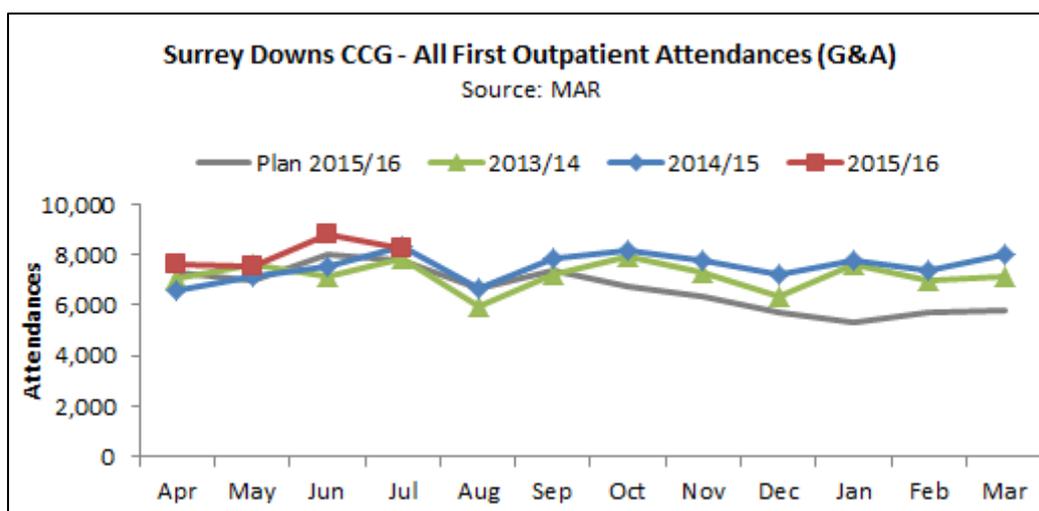
There have been no changes to the signature status of acute contracts since M4. The only major acute provider still outstanding contract signature is Kingston, although note that contract activity and Heads of Terms have been agreed with this provider.

It should also be noted that the block contract with Surrey and Borders Partnership NHS Trust (SaBP) is not signed - it is pending a final agreement on any 2015/6 QIPP.

## 3. Acute Activity

Total referrals have flatlined in July, although are tracking above plan and prior year. Outpatient attendances dipped slight June to July although as with referrals, they are tracking above plan and prior year.





## 4. QIPP

£M	Year to date			Full Year		
	Act	Bud	Var	FCT	Bud	Var
<b>Transactional</b>						
Acute	1.9	2.1	-0.1	5.4	5.8	-0.4
CHC	0.2	0.1	0.1	1.0	1.0	0.0
Subtotal	2.1	2.2	-0.1	6.4	6.8	-0.4
<b>Transformational</b>						
Acute	0.4	0.8	-0.4	2.7	5.3	-2.6
Other	0.5	0.1	0.4	0.7	0.7	0.0
Subtotal	0.8	0.9	0.0	3.4	6.0	-2.6
<b>TOTAL QIPP</b>	<b>3.0</b>	<b>3.1</b>	<b>-0.1</b>	<b>9.8</b>	<b>12.8</b>	<b>-3.0</b>

### Outturn

To date the CCG is reporting £3.0m of QIPP as having been achieved against a target of £3.1m. The reported downside is the net of a number of smaller upsides and downsides across all QIPP schemes but underlying is to date underperformance in the transformational acute QIPP stream of activity, where outpatient reduction programmes on e.g. MSK and ophthalmology are tracking behind budget.

It should be noted that QIPP achieved to date on some transformational acute schemes (MSK, Ophthalmology, ENT and Peer Practice Review) was restated to zero in M5 to reflect that fact that the baseline activity data in certain specialities against which the QIPP performance was being measured was incomplete. This error was isolated to speciality level data from one provider. The total activity baseline (by 'Point of Delivery' or POD) and overall CCG reported position was correct.

The impact of the restatement in the month of August was a -£168k reduction to reported QIPP for months 1 to 4.

The underlying position for month 5 is a £0.3m shortfall on planned QIPP of £0.9m.

### **Forecast QIPP for year**

The overall QIPP forecast for the year has decreased from a plan of £12.8m by £3.0m to £9.8m. This is driven by:

- i) a reduction of £2.0m across outpatient / elective reduction schemes where the original QIPP plans have been scaled back to reflect a slower trajectory to a 20% reduction in activity by the 2015/16 financial year end;
- ii) a reduction in the non-elective admission reduction QIPP savings of £0.6m as a result of a delay in implementing the CMT scheme; and
- iii) a reduction in the anticipated benefits from the AQP price reduction QIPP of £0.4m (from £1.8m to £1.4m) to reflect the CCGs current best estimate of the QIPP savings (note, no contracts have been signed with the AQPs therefore no QIPP benefits are being reported as having crystallised).

As per the commentary in Section 2, above, there are adequate mitigations to offset the reduction in forecast QIPP. The QIPP

## **5. Risks and Mitigations to achieving budget**

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

- (a) Further slippages over and above the £3m against the original £12.8m QIPP target.
- (b) Further growth in acute spend over and above the CCG's underlying assumptions of 5%.
- (c) Challenges to Kingston (as described above) are unsuccessful (£XK full year impact).
- (d) Further changes (increases) to the budgeted NHS property charge of £4.7m.

The mitigations against these risks are:

- (a) Any delay or rationalisation of the re-forecast investment programme of £3.4m over and above the £0.7m projected underspend;
- (b) Further underspends in the prescribing budget;
- (c) Early commencement and realisation of planned 2016/17 QIPP or decommissioning schemes in the later part of 2015/16.

## 6. Finance Operations

### Resourcing

- Two finance graduate trainees at Band 5 are due to start mid-October to strengthen the team longer term and reduce agency costs.
- As part of the CCG's wider capacity review, the need for an additional finance resource to help support the CCGs project costing and monitoring was identified. It is intended that this be a short term appointment (6-12 months). The role is still being scoped and has yet to be formally advertised.

### Other

- The agreement of service specification, KPIs and a final contract between the CSU and SDCCG is still outstanding.

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