

GOVERNING BODY MEETING

Meeting Date: 28 November 2018

Report's Sponsoring Governing Body
Member: Richard Mellor, CFO

Report Author: Richard Mellor

1. Title of Paper: Finance Report for October 2018**2. Strategic Objectives supported by this paper:**

(check those which apply)

- To create a viable & sustainable organisation, whilst facilitating the development of a different, more innovative culture
- To commission high quality services which will improve the health & wellbeing of the people in Scarborough & Ryedale
- To build strong effective relationships with all stakeholders and deliver through effectively engaging with our partners
- To support people within the local community by enabling a system of choice & integrated care
- To deliver against all national & local priorities incl QIPP and work within our financial resources

- Executive Summary:**

The purpose of this paper is to inform the Governing Body of the financial performance of the CCG for the year to October 2018.

At the end of the October, the CCG is reporting a bottom line YTD position of £(1.7)m deficit against a plan of £(1.9)m deficit, an overall overspend against allocation of £(3.7)m. The CCG is reporting a deficit forecast position of £(7.5)m, against a plan of £(3.6)m. This position includes the receipt of £400k of sustainability funds at Quarter 1. As a consequence of the deterioration in the financial position the CCG is not eligible for sustainability funding in quarter 2.

The table below shows the summarised financial position for October 2018.

	Current Month			YTD			Forecast		
	Budget	Exp	Variance	Budget	Exp	Variance	Budget	Exp	Variance
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Acute Services	7,523	7,784	(261)	53,541	54,756	(1,215)	91,114	93,172	(2,058)
Mental Health	1,375	1,298	77	9,627	8,938	689	16,503	15,607	896
Community	1,527	1,520	7	9,343	9,309	34	15,435	15,361	74
Continuing Healthcare	1,933	2,488	(555)	9,627	11,121	(1,494)	15,958	19,032	(3,074)
Primary Care	3,743	4,020	(277)	23,376	23,766	(390)	39,601	40,109	(508)
Other Programme	701	659	42	4,900	4,160	740	8,050	7,291	759
Total Programme Spend	16,802	17,769	(967)	110,414	112,050	(1,636)	186,661	190,572	(3,911)
Running Costs	121	199	(78)	1,350	1,452	(102)	2,499	2,487	12
Total Expenditure	16,923	17,968	(1,045)	111,764	113,502	(1,738)	189,160	193,059	(3,899)
Resource Allocation	16,590	16,590		109,830	109,830		185,560	185,560	
Surplus/ (Deficit)	(333)	(1,378)	(1,045)	(1,934)	(3,672)	(1,738)	(3,600)	(7,499)	(3,899)

The main areas of overspending against plan are in acute contracts and continuing healthcare, with some pressure on prescribing, and mitigations in other budgets. QIPP is performing well on prescribing and mental health packages, but has not delivered significantly against core continuing healthcare costs, or acute contracts.

Financial Performance

The CCG is seeing continuing overspends on acute contracts, continuing healthcare and prescribing, and whilst this continues to be mitigated by underspends on other budgets, the CCG is unable to contain expenditure within plan for YTD and forecast. The consequence of the deterioration in position is that the CCG will not receive sustainability funding for quarter 2.

Activity on planned areas is broadly in line with contract expectations, with slight over activity on daycases (5% up on last year, 2% above contract). Planned work is creating a financial pressure as the average prices are higher than anticipated. Referrals are slightly above last years levels, which is putting pressure on waiting lists. The activity pressure is on A&E activity and unplanned admissions which are above contract levels. A&E activity is higher in type 1 attendances (9% above last year), and lower in type 3 attendances (1% down on last year). Unplanned admissions are higher than planned (6% above plan, which was to maintain last years activity), with particular pressure in May to July. We have also seen an increase in the average cost of unplanned activity.

We continue to overspend on acute services. We moved to an aligned incentive contract with our main provider, York foundation trust, with plans to repatriate activity into York Foundation trust, manage demand and restrain costs in the system. Limited options to reduce costs were identified. Additionally activity levels for unplanned care have exceeded the contract expectations and the CCG is in discussion with the trust around funding for additional costs incurred.

Across other providers we targeted a QIPP of £1m, and our current forecast is to deliver half of this. The work on the planned care schemes is still ongoing, and management of referrals

Mental Health services are underspending against plan, with lower levels of spend on out of contract and cost per case activity, although costs relating to Section 117 cases are up. A significant amount of work in reviewing cases and processes for packages has been undertaken, which appears to be having a benefit. This is part of the work on continuing healthcare and vulnerable people QIPP, which is showing in an underspend on this budget, although the QIPP target was in continuing healthcare. The variation will potentially impact the CCG hitting the Mental Health Investment standard, and work has been undertaken to assess the reportable spend on Mental Health in 2018/19. There is a risk that the CCG will not achieve the mental Health Investment standard. There are some small investments in mental health which are planned for the remainder of the year, and these are included in the assessment of mental health spend. Our forecast assumes no further investments in this year.

Primary Care is overspending to date, with an overspend on prescribing budgets (£350k, 3%) and a small pressure on co-commissioning. QIPP of £1.7m is targeted on prescribing, which is a level delivered last year, but the team have identified that it is getting harder to identify savings opportunities. There is a planned QIPP on other primary care spend which is being delivered across other budgets, but this leaves a pressure of c. £400k on primary care. The primary care transformation fund (£3 ph over 2 years) is expected to underspend in year.

Because of the financial pressures on the CCG, it is proposed that any spend not committed is not spent this year. Any final investment against the transformation fund should be planned for 2019/20.

Continuing Healthcare is significantly overspent in year, with a forecast deficit of £3m. The CCG has undertaken a significant amount of work on CHC recording and reporting following the disbanding of the PCU. This has identified issues with the reporting and recording of cases within the CCG, with some cases not recorded, errors in the recording of packages of care and delays in the processing of cases. Work has been undertaken to resolve disputes, and validate the position on packages where either payments have not been requested, or differ from the CCG's records. This has increased expenditure in year, as costs are incurred for packages which were not known to the CCG, not recorded correctly, or which have been delayed in processing and are backdated when reviewed. The overall position is worsened by a planned QIPP saving of £1m on plan, which has been delivered through review of packages of care for vulnerable people, and savings made within the mental health spend. This can be seen in the mental health underspends reported above.

The CCG has undertaken a review of the processes in place for CHC, and revised processes to minimise the recurrence of the same issues. A detailed report of the issues and proposed actions has been made to Finance and Contracting committee. Further checks have been added to processes to ensure that they are operating correctly, and an audit of the revised processes requested to confirm that they are operating appropriately.

Other programme areas have contributed to balancing the financial position, with the use of contingency, and underspends on budgets for transformation and investment. Unallocated budgets are being retained to balance the financial position. Additional spend against these areas would deteriorate our financial position.

The CCG still needs to take all planned actions to deliver QIPP and manage activity. To manage the financial position, we also need to stop any uncommitted spend for this year, and consider what steps can be taken to stop or delay expenditure into next year to deliver the forecast.

QIPP Performance

The CCG's QIPP plan is for delivery of a value of £5.5m in year. Initial schemes were identified to deliver this, with the majority being management of acute activity, both planned and unplanned. Workstreams to deliver planned activity have been taken forward within the Financial recovery board, and some impact is being seen. However, there is limited opportunity for cost removal associated with this, although we are seeing some reduction in activity with providers other than York

QIPP schemes on prescribing are performing well, and we are forecasting delivering the plan, although there are some risks around the staffing within the medicines management team. Schemes on continuing health care have had a big impact on packages for vulnerable people, which are recorded under mental health, supporting the under spend in this area. However, the QIPP was planned against continuing healthcare, and has not delivered significantly against that budget, contributing to the overspend. There are plans for additional QIPP over the remainder of the year and we are planning to deliver this to meet the forecast position.

We are still overspending against both CHC and prescribing budgets.

Overall the CCG is looking at a significant under performance on QIPP schemes to date. Continued work to manage demand and deliver all possible savings is necessary to achieve the year end forecast.

1. Risks relating to proposals in this paper:

The CCG has risks around delivery of the forecast position, with delivery of outstanding QIPP still required, and management of expenditure to achieve the forecast.

There are additional risks around VAT reclaims on support services, and this is being taken forward by NHSE in discussion with HMRC. There is no allowance for this within our forecast.

2. Summary of any finance / resource implications:

The deterioration in forecast position means that the CCG is not eligible for additional sustainability funding this year, and therefore the total deficit forecast is £7.5m. This will impact our future plans and the recovery of our financial position.

3. Any statutory / regulatory / legal / NHS Constitution implications:

The CCG is not meeting its statutory duty to manage within the available allocation, and has shown weaknesses in its planning and control, which will impact its assurance rating.

4. Equality Impact Assessment:

N/A.

5. Any related work with stakeholders or communications plan:

The CCG is working with partner organisations to develop a system recovery programme. .


6. Recommendations / Action Required

The Governing Body is asked to note the financial position presented in this paper, the revised forecast position, and the need to manage all savings and expenditure plans robustly to deliver the forecast position

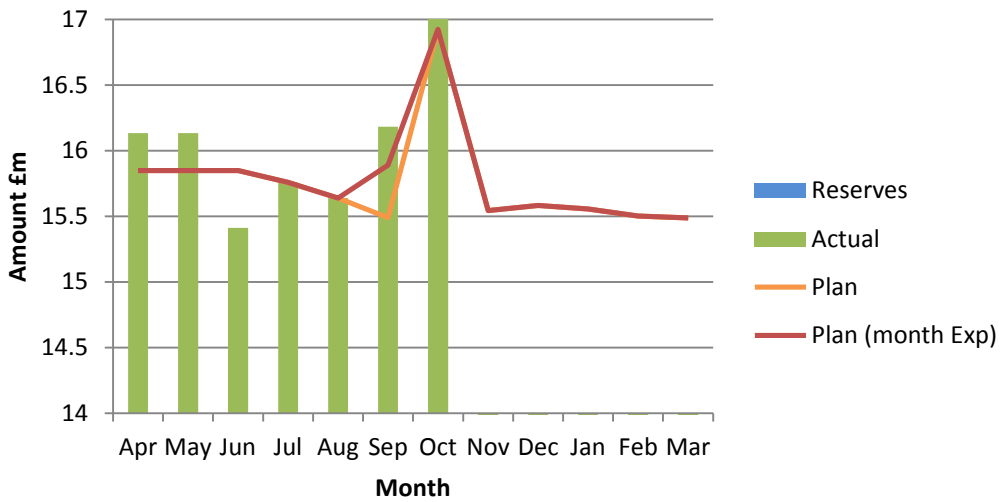
7. Assurance

Financial Recovery Board, Finance and Contracting Committee

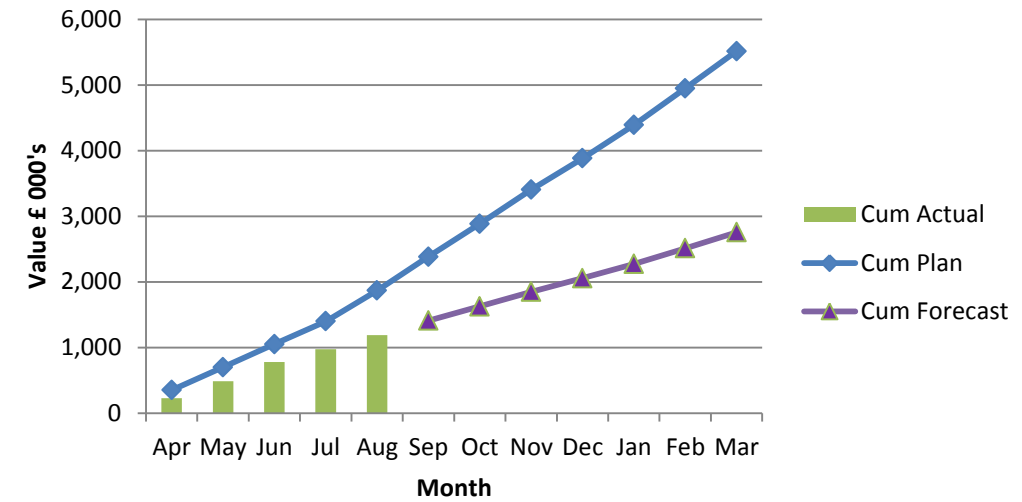
For further information please contact:

Name: <i>Richard Mellor</i>	Title: <i>Chief Finance Officer</i>	 : 01723 343675
-----------------------------	-------------------------------------	--

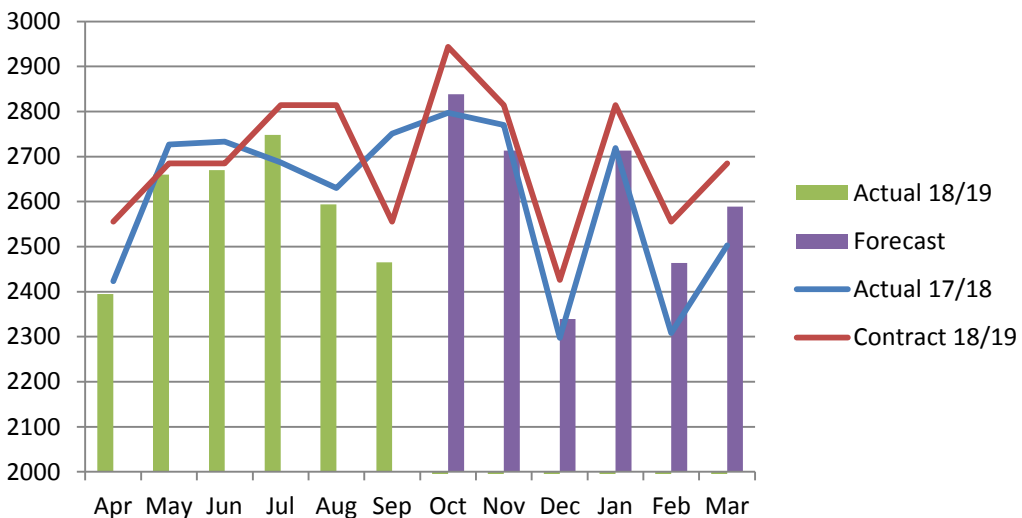
1. Monthly expenditure



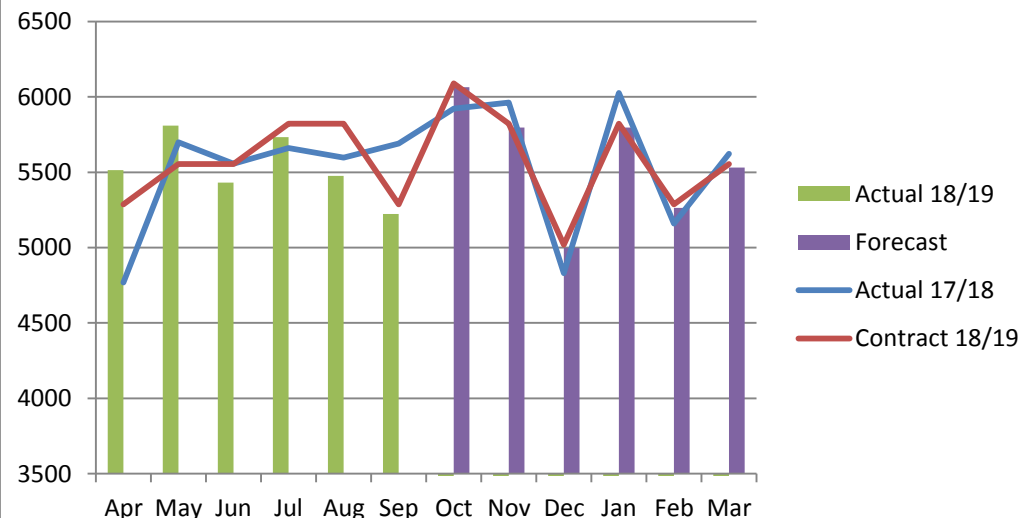
2. QIPP performance



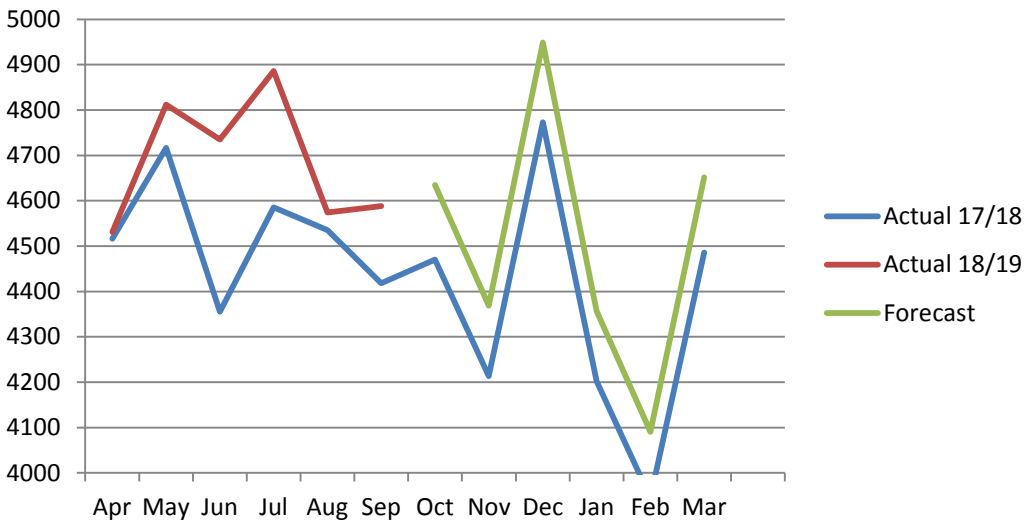
3. First Outpatient



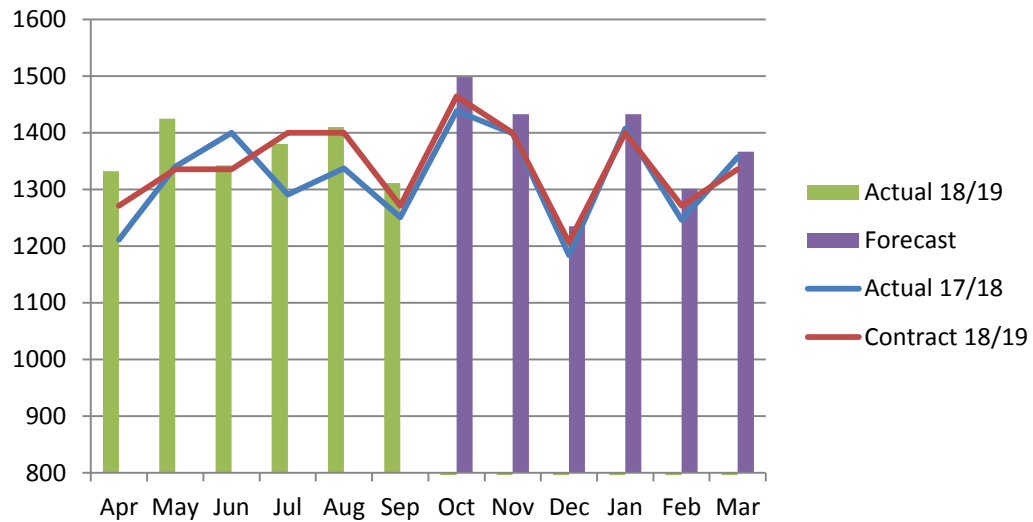
4. Outpatient Follow Ups



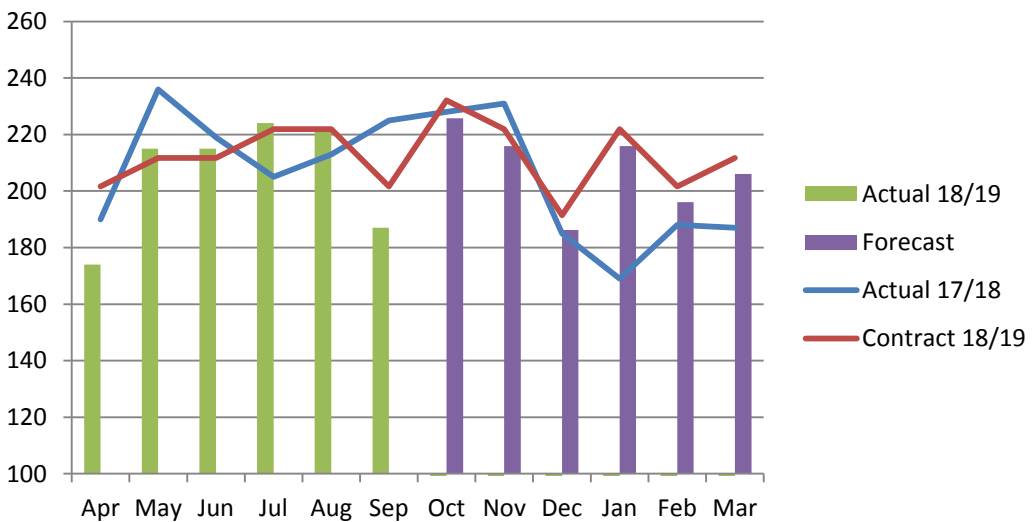
5. Referrals year on year



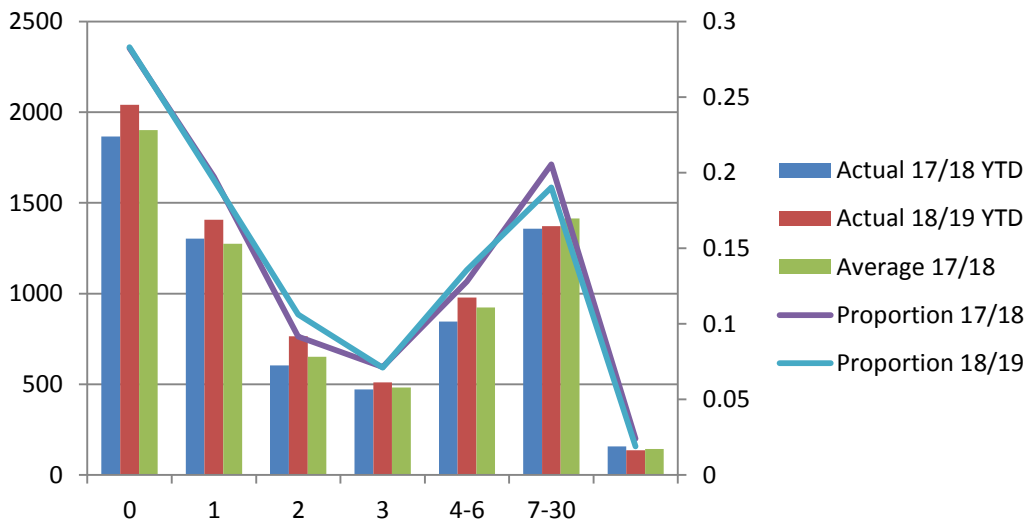
6. Day Case Admitted



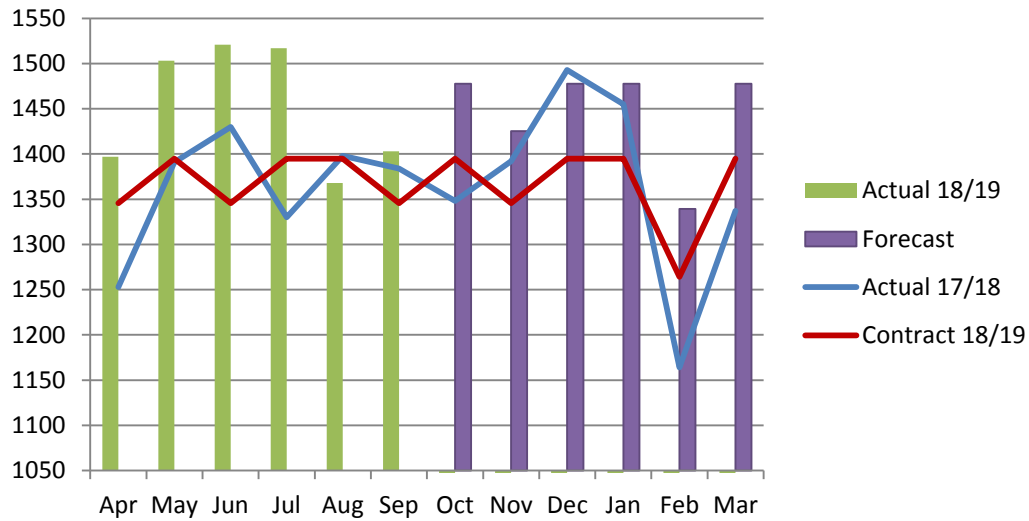
7. Elective Admitted



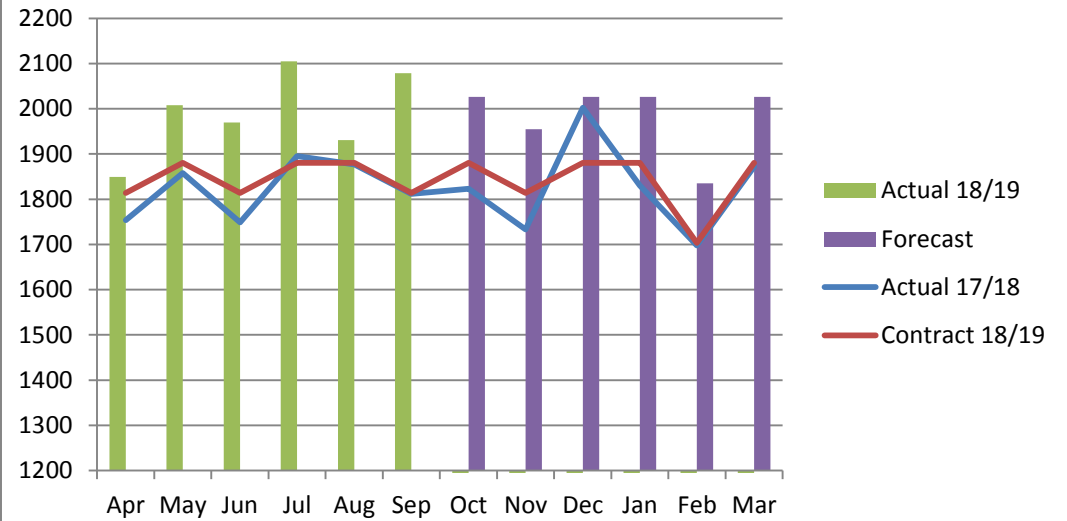
8. Non Elective LOS



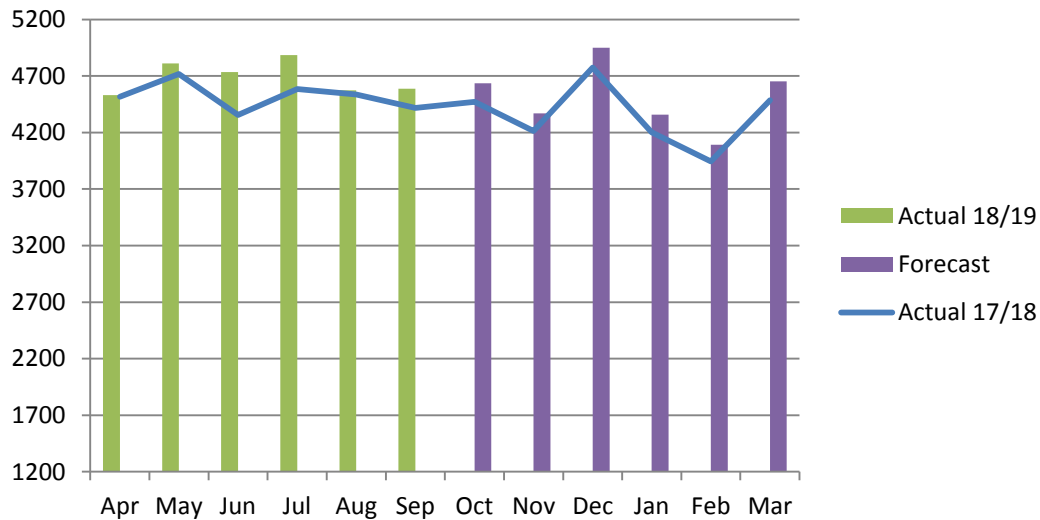
9. Non Elective Admissions



10. A and E Attendances Type 1



11. All A and E Attendances



12. A and E Attendances Type 3

