

GOVERNING BODY MEETING

Meeting Date: 23 January 2019

**Scarborough and Ryedale
Clinical Commissioning Group**Report's Sponsoring Governing Body
Member: Iain Dobinson, Interim
CFO

Report Author: Vanessa Burns

1. Title of Paper: Finance Report for December 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 December 2018.

At the end of the December, the CCG is reporting a YTD overspend of £7.9m against a deficit plan of £2.6m. The CCG is reporting a deficit forecast position of £11.5m, against a plan of £3.6m. This position includes the receipt of £0.4m of sustainability funds at Quarter 1 and as previously reported the CCG is not eligible for sustainability funding in quarter 2 and beyond.

This position has deteriorated by £4m from the previously reported £7.5m deficit. The main driver for this is increased costs of continuing healthcare over and above previous estimation in this area with a lesser proportion (£0.5m) relating to revised assumptions around QIPP and financial recovery in other areas.

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

	Current Month			Year to Date			Forecast		
	Budget	Exp	Variance	Budget	Exp	Variance	Budget	Exp	Variance
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Acute Services	7,566	7,851	(285)	68,777	70,648	(1,871)	91,364	94,147	(2,783)
Mental Health	1,375	1,276	99	12,377	11,293	1,084	16,503	15,241	1,262
Primary Care	3,439	3,513	(74)	30,051	30,694	(644)	39,732	40,528	(796)
Continuing Healthcare	1,282	4,104	(2,822)	12,111	16,919	(4,808)	15,958	22,434	(6,476)
Community Services	1,141	1,151	(10)	11,625	11,492	133	15,435	15,281	155
Other Commissioned Services	606	490	116	5,896	5,097	799	7,901	7,166	735
Programme Costs	15,409	18,386	(2,977)	140,837	146,143	(5,306)	186,892	194,796	(7,904)
Running Costs	230	218	12	1,827	1,813	14	2,499	2,494	5
Total Expenditure	15,640	18,604	(2,965)	142,664	147,956	(5,292)	189,391	197,290	(7,899)
Resource Allocation	15,306	15,306		140,064	140,064		185,791	185,791	
Surplus/(Deficit)	(334)	(3,298)	(2,965)	(2,600)	(7,892)	(5,292)	(3,600)	(11,499)	(7,899)

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

In acute services 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.

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.

Primary Care prescribing is overspending to date. 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. 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.

CHC is significantly overspent in year with a forecast deficit of £6.5m. This position has

deteriorated by £3.5m, being due to CHC legacy charges and a provision to cover the eventuality of further financial pressures emerging. This deterioration in the financial position was discussed in detail at the Extraordinary Governing Body meeting on 10 January 2019. The meeting agreed that the revised position should be reported to NHSE in the Month 9 reporting process. It also agreed that an independent review of CHC financial processes and reporting should take place.

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 and the CCG is reporting delivery against this plan of £3.1m at month 9. 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.

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 £11.5m. This will impact our future plans and the recovery of our financial position although a significant proportion of the continuing healthcare expenditure will be non-recurrent in nature as it relates to previous financial years.

The CCG's cumulative deficit based on the reported in year deficit will increase to £20.6m.

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:

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