

Month 7 Finance Report

Governing Body Update

5 December 2019

1. Executive Summary

| Key Duties | Year to date | Forecast | Key Issues |
|----------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Deliver £18.0m Surplus (CCG's Control Total) against Commissioning Revenue Resource Limit (RRL) + RCA combined | (£10.5m) Under Spend | (£18.0m) Under Spend | The surplus brought forward from 2018/19 was £18.0m. For 2019/20 the CCG has been set an in-year breakeven control total by NHS England, i.e. we are required to maintain our brought forward cumulative surplus. Whilst we are forecasting achievement of this surplus, we continue to manage a number of financial risks which, if not carefully managed, may impact on delivery of the control total. As a result, the RAG rating of this duty continues to be AMBER. |
| Achieve a surplus against the Programme Allocation | (£9.2m) Under Spend | (£16.4m) Under Spend | There are a number of risks and challenges that need to be managed (see section 2). In particular, there are risks associated with full delivery of the QIPP plan (£15.2m) in addition to additional financial pressures from the national changes to Category M reimbursement prices. Hence a RAG rating of AMBER indicating the need for additional actions which are being progressed. |
| Remain within Running Cost Allowance (RCA) of £12.64m. | (£1.3m) Under Spend | (£1.6m) Under Spend | At the plan stage, we agreed £1.0m of our surplus should come from the RCA. Additional savings have been identified and reported this month, which supports some of the financial pressures reported in our programme spend. |
| Remain within the Cash Limit (i.e. Maximum draw down set by NHS England) | £0.5m closing balance | Breakeven | The CCG's maximum draw down for 2019/20 notified in October was £918.5m. To remain within this limit, which requires the revenue position to be brought in on plan, cash payments will need to be managed to meet this target. |

Key:

| | |
|--------------|-----------------------------------------------------------------------------------|
| Red | Significant risk of non-delivery. Additional actions need to be urgently pursued. |
| Amber | Medium risk of non-delivery requires additional management effort. |
| Green | Low risk of non-delivery – current management effort should deliver success. |

2. Summary of the reported position

The overall position is summarised in table 1 below.

| Table 1: Summary Position at 31 October 2019 | Annual Budget £'000s | Year to Date Variance £'000s | Forecast Variance £'000s | Forecast Variance % |
|----------------------------------------------|-------------------------|---------------------------------|-----------------------------|------------------------|
| Acute Care | 446,148 | 2,016 | 2,541 | 0.6% |
| Mental Health & Learning Disabilities | 92,450 | 357 | 602 | 0.7% |
| Community | 87,693 | 251 | 430 | 0.5% |
| Continuing Care | 60,226 | (351) | (537) | -0.9% |
| Primary Care | 100,309 | (229) | 58 | 0.1% |
| Prescribing | 94,037 | 796 | 2,956 | 3.2% |
| Collaborative | 11,407 | (30) | 0 | 0.0% |
| Other Programme | 7,626 | 153 | 396 | 5.2% |
| Reserves including planned surplus | | | | |
| Return of prior year surplus | 17,021 | (9,929) | (17,021) | -100.0% |
| Contingency reserve | 1,548 | (1,548) | (1,548) | -100.0% |
| Specific reserves (incl. ICS) | 6,885 | (732) | (4,277) | -62.1% |
| Programme Costs | 925,351 | (9,247) | (16,400) | -1.8% |
| Running Costs (RCA) | 11,486 | (698) | (621) | -5.2% |
| RCA reserves incl. return prior year surplus | 1,157 | (583) | (1,000) | -86.4% |
| Year to date and Year end Surplus | 937,994 | (10,528) | (18,021) | -1.9% |

Figures are subject to rounding

We are reporting an overall year-to-date (YTD) surplus of £10.5m, which is in line with our plan. However, this is only after the release of all £1.5m of the general contingency reserve and £0.4m of the specific commissioning reserves. We continue to report forecast delivery of the planned in-year breakeven position. This is after utilising the totality of the contingency reserve, meaning that there is very limited flexibility to manage a number of key risks and issues over the remainder of the financial year.

Further detail of spend in different areas can be found at Appendix A (summary level) and a more detailed position by programme category is then provided in Appendix B. Appendix C provides a summary of the financial position for our main contracts with Sheffield providers (STHFT, SCFT and SHSCT). Appendix D historically reports on the activity and expenditure for STHFT, however due to problems with the contracting monitoring portal, no meaningful information can be presented this month. Therefore Appendix D at month 7 summarises the overall position for budgets within the scope of the BCF arrangement with Sheffield City Council (usually Appendix E).

Overall Risk Assessment

The financial pressures included in the forecast position, described in more detail in section 3 below, utilise the totality of the general contingency reserve. The year to date position includes full use of the contingency at month 7 and expected slippage on specific commissioning reserves of £0.4m. The consequence of this is that mitigating actions are required to manage any additional risks that may materialise in the remainder of the financial year. Given the time of year, the financial range of risks and potential benefits is wide. Our assessment, using the information available to date, identifies a risk range of -7.7m upside to +£6.3m downside, which reflects a range of issues. This level of financial

risk requires careful management and we will continue prioritise actions to ensure that we have sufficient mitigations to manage the in year position.

3. Further Information on Key Budgets and related risks

Acute Hospital Activity:

Sheffield Teaching Hospitals (STH) is by far the most significant contract in value terms as it is planned to account for £435m (including the MSK and Walk in Centre contracts). At month 7, we are reporting a £1.7m (0.7%) overspend for the contract overall.

It is important to note that the phasing of QIPP savings means that £4.2m of the £8.2m attributed to the STH contract is phased into the first 7 months as there are some schemes which have an impact from later months. The delivery of the agreed QIPP plan is vital to the delivery of the financial position.

The issue relating to uncoded activity has now practically been resolved as un-coded activity is now less than 1% (15% last month, 30% two months ago). STHFT are working hard to continue addressing this issue to try and ensure that they have a sustainable solution.

The year end position for the contract shows a forecast 0.5% over performance. The table below provides a little more detail about some of the areas which are over-performing this year. It is worth noting that there are significant overspends on some of the smaller budget areas; including critical care (where year on year expenditure can be very variable); palliative care nights (where further analysis is being undertaken, but again the activity can be variable year on year) and wheelchairs (where action is being taken to address long waiting times).

| Table 2: STHFT contract position | Annual Budget (£000's) | Forecast year end (£000's) | Year end Variance (£000's) | % Variance |
|---------------------------------------|------------------------|----------------------------|----------------------------|-------------|
| Blended Plus elements of the contract | £205,998 | £205,998 | £0 | 0.0% |
| Planned Inpatients and Outpatients | £102,049 | £102,624 | £575 | 0.6% |
| Critical Care | £9,961 | £10,678 | £717 | 7.2% |
| Palliative care nights | £3,007 | £3,253 | £246 | 8.2% |
| Wheelchairs | £1,973 | £2,179 | £206 | 10.4% |
| High Cost Drugs | £16,407 | £16,697 | £290 | 1.8% |
| All other areas (including MSK) | £95,796 | £95,944 | £148 | 0.2% |
| Total | £435,191 | £437,373 | £2,182 | 0.5% |

Sheffield Children's (SCH): The reported position shows an YTD overspend of £160k with a forecast overspend of £193k, this is an increase against last month which predominantly relates to an increase in outpatients, the data is currently being reviewed to determine the areas causing this movement.

Non Contract Activity (NCAs): Based on invoices received to month 7 there is a year end pressure on the budget equating to £270k which is a decrease of £121k on the position reported at month 6.

Mental Health: The Mental Health risk share between the CCG, Sheffield City Council (SCC) and Sheffield Health & Social Care NHS FT (SHSC) continues in 2019/20. The position is similar to last month with Month 8 forecasts showing £2.2m of the joint transformation savings will be achieved (an overall forecast shortfall of £1.6m). The risk share arrangements are such that the apportionment of these savings is adjusted in order that all organisations benefit proportionately, and so a transfer of resources is required from the CCG to the City Council and Sheffield Health & Social Care Trust. This is reflected in the forecast position.

Continuing Health Care (CHC) and Funded Nursing Care (FNC): The forecast underspend on Adult's Continuing Healthcare increased by £204k in the month and now stands at £392k. The movement is primarily due to the release of 18/19 year end accruals where the 19/20 actual liability is now expected to be less than anticipated.

October saw a further reduction in the number of FNC patients resulting in the forecast underspend increasing by £96k from £428k to £524k.

Children's Continuing Care for October was broadly in line with last month's figures; with the year-end forecast overspend reducing by £25k from £159k to £134k.

Primary Care: There is a year to date underspend on primary care delegated budgets of £478k and a forecast underspend of £343k. This is mainly due to non-recurrent slippage on premises developments (£512k) as well as non-recurrent slippage on other budgets. As a consequence, a recurrent deficit is likely to be carried forward into 2020/21.

Additional CCG-Commissioned Services is forecast to underspend by £106k.

Prescribing: The latest data received relates to September 2019 and shows an average cost per item of £6.89. This has increased slightly from previous months, however the volume of scripts prescribed in September was not as high as anticipated. As a result the forecast spend has been reduced slightly by £84k and the reported forecast position is now showing an overspend position of £3,077k (3.2%).

Collaborative Working: Appendix A includes a separate section to report spend on our collaborative working with partners, particularly as Sheffield CCG is the host organisation for both the SY&B Integrated Care System (ICS) (incorporating the previous commissioner working together arrangements) and the Sheffield Accountable Care Partnership (ACP).

This captures, in summary level, expenditure against allocations from NHS England, which the CCG receives on behalf of the ICS and contributions from Sheffield CCG. The CCG will be collecting income from all partner organisations to contribute to ICS and ACP costs and this income will be offset against relevant expenditure, hence only the net position is reported on Appendix A. In this regard, it is important to note that separate financial reporting will occur to the public sessions of both ICS and Sheffield ACP Boards during 2019/20 and so it is not the intention that detailed reporting occurs in this CCG financial report.

At month 7, the ICS (including the Cancer Alliance) has confirmed funding of £11.9m, which includes Transformation Funding of £6.9m, received in month 7. £11m is reported as ICS budgets and the balance of £0.9m remains in ICS reserves. £3.2m of this relates to GP Forward View funding, of which £0.8m has been transferred to other South Yorkshire & Bassetlaw CCGs. Further funding is expected in relation to a range of specific bids. We continue to work closely with the Director of Finance of the ICS to understand when the funding is likely to be received and to ensure plans are in place confirming how

and when this funding will be utilised. A breakeven position on these budgets is currently forecast and work is under way to identify any possible movements and mitigating actions.

Section 75 Framework Partnership Agreement (Better Care Fund): Appendix D shows the citywide position in relation to the Better Care Fund (BCF). The overall forecast is an overspend of £1.1m, an improvement of £0.2m compared to the forecast at month 6. The CCG is forecasting a small underspend of £0.1m against the budgets within the scope of the BCF, with overspends in Independent Living Solutions and Mental Health being offset by an underspend against Ongoing Care services. There is a forecast overspend of £1.3m against the Council Adult Social Care services, mainly in relation to support to All Age Disability (<65 years). The budget and phasing of capital grants has been amended to reflect changes to the policy agreed earlier in the year, with the underspend as at month 7 reflecting a delay to initial implementation plans which by the end of the year will be more in line with the overall output anticipated.

Running Costs: The position against the £12.6m running cost allocation is summarised in the table below. At month 7 a forecast underspend of £1.6m is reported, which is a small improvement to the position last month and another increase to the £1.0m agreed at the planning stage. This is primarily due to slippage on pay budgets, due to in year vacancies and additional income.

| Table 3: Running Costs | Annual Budget £'000s | YTD Variance £'000s | Forecast Variance £'000s |
|-------------------------------|-------------------------|---------------------------|--------------------------------|
| Pay | 9,122 | (423) | (688) |
| Non Pay | 3,536 | (307) | 15 |
| Income | (1,172) | 32 | 52 |
| Running Costs Reserve | 157 | 0 | 0 |
| Running Costs Planned Surplus | 1,000 | (583) | (1,000) |
| Running Cost Budget | 12,643 | (1,281) | (1,621) |

Figures are subject to rounding

Additional Income: Under the Financial Management Principles previously approved by Governing Body we are seeking to maximise additional income, over and above the CCG's core allocations, to be able to support delivery of our commissioning intentions. Given the early point in the year, there is a level of uncertainty with regards to additional funding that may be received. Appendix E details the current funding the CCG has been allocated.

QIPP: The detail of the QIPP position is included in the separate QIPP Programme update report from the Director of Commissioning and Performance. In summary, at month 7 we are reporting a shortfall of £774k year to date and a shortfall of £1,335k against the forecast position, as summarised in Table 4 below. This represents a forecast delivery of 91% of our QIPP programme. However, given the phasing of the overall QIPP programme there remains a level of risk to delivery of this forecast position. Our assessment at month 7 is that this is in the range of £0.5-£1m. This is similar to the position reported at month 6 and this has been included in the overall assessment of financial risk reported in section 2.

| Table 4: QIPP savings by Portfolio area | Annual Gross Savings Plan (£'000) | Annual Gross Savings Forecast (£'000) | Annual Gross Savings Forecast Variance (£'000) | Year to Date Gross Savings Plan (£'000) | Year to Date Gross Savings Actual (£'000) | Year to Date Gross Savings Variance (£'000) |
|-----------------------------------------|-----------------------------------|---------------------------------------|------------------------------------------------|-----------------------------------------|-------------------------------------------|---------------------------------------------|
| Care Outside of Hospital | (2,210) | (970) | 1,240 | (1,151) | (452) | 699 |
| Children & Young People | (113) | (80) | 33 | (39) | (22) | 17 |
| Elective Care | (1,894) | (1,333) | 561 | (1,012) | (671) | 341 |
| Medicines Optimisation | (4,861) | (4,531) | 330 | (2,701) | (2,646) | 55 |
| Mental Health | (1,532) | (1,866) | (334) | (967) | (708) | 259 |
| Ongoing Care | (1,980) | (1,692) | 288 | (1,162) | (995) | 167 |
| Urgent and Emergency Care | (850) | (625) | 225 | (391) | (293) | 98 |
| Sub Total - Portfolios | (13,440) | (11,097) | 2,343 | (7,423) | (5,787) | 1,636 |
| Other Commissioning | (800) | 0 | 800 | (469) | 0 | 469 |
| Running Costs | (1,000) | (1,646) | (646) | (581) | (1,281) | (700) |
| Other Adjustment | 0 | (1,162) | (1,162) | 0 | (631) | (631) |
| Sub Total - Other | (1,800) | (2,808) | (1,008) | (1,050) | (1,912) | (862) |
| | | | | | | |
| Grand Total | (15,240) | (13,905) | 1,335 | (8,473) | (7,699) | 774 |
| % Achievement | | 91% | | | 91% | |

4. Delivery of Cash Position

The CCG was notified of a maximum cash drawdown limit of £918.5m at month 7. The total cash used to the end of October was £536.8m against a requested cash drawdown of £477.7m, prescribing & home oxygen of £53.1m, other income of £6.3m and a brought forward balance of £149k. The cash balance at bank at the end of the month was £0.5m. A minimal cash balance at bank is planned for the year end.

5. Better Payment Practice Code

The Better Payment Practice Code requires the CCG to pay all valid invoices by the due date or within 30 days of receipt of a valid invoice, whichever is later. A summary of the position for the 12 month period to the end of October is reported in the table below:

| Measure of compliance | 12 months to September-19 Number | 12 months to September-19 £'000 |
|----------------------------------------------------------------|-------------------------------------|------------------------------------|
| Non-NHS Payables | | |
| Total Non-NHS Trade invoices paid in the year | 17,084 | 203,231 |
| Total Non-NHS Trade Invoices paid within target | 16,863 | 202,499 |
| Percentage of Non-NHS Trade invoices paid within target | 98.71% | 99.64% |
| NHS Payables | | |
| Total NHS Trade invoices paid in the year | 3,960 | 660,132 |
| Total NHS Trade invoices paid within target | 3,937 | 659,263 |
| Percentage of NHS Trade invoices paid within target | 99.42% | 99.87% |

Paper prepared by: Chris Cotton, Deputy Director of Finance
Jayne Taylor, Senior Finance Manager
Pat Lunness, Senior Finance Manager

On behalf of: Jackie Mills, Director of Finance

November 2019