

## Month 5 Finance Report

Item 3

## Governing Body Update

October 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	(£7.5m) 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. <b>As a result, the RAG rating of this duty continues to be AMBER.</b>
a) Achieve a surplus against the Programme Allocation	(£6.5m) Under Spend	(£16.6m) 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. <b>Hence a RAG rating of AMBER indicating the need for additional actions which are being progressed.</b>
b) Remain within Running Cost Allowance (RCA) of £12.64m.	(£1.0m) Under Spend	(£1.4m) 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)	£2.2m closing balance	Breakeven	The CCG's maximum draw down for 2019/20 notified in August was £910.0m. 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 August 2019	Annual Budget £'000s	Year to Date Variance £'000s	Forecast Variance £'000s	Forecast Variance %
Acute Care	443,416	1,027	2,207	0.5%
Mental Health & Learning Disabilities	92,076	124	202	0.2%
Community	87,436	219	763	0.9%
Continuing Care	60,226	(177)	(421)	-0.7%
Primary Care	99,842	22	671	0.7%
Prescribing	94,006	678	3,702	3.9%
Collaborative	3,060	(42)	0	0.0%
Other Programme	7,589	88	434	5.7%
Reserves including planned surplus				
Return of prior year surplus	17,031	(7,096)	(17,031)	-100%
Contingency reserve	3,298	(1,156)	(3,298)	-100%
Specific reserves (incl. ICS)	8,873	(167)	(3,807)	-42.9%
<b>Programme Costs</b>	<b>916,854</b>	<b>(6,480)</b>	<b>(16,579)</b>	<b>-1.8%</b>
Running Costs (RCA)	11,486	(560)	(442)	-3.8%
RCA reserves incl. return prior year surplus	1,157	(417)	(1,000)	-86.4%
<b>Year to date and Year end Surplus</b>	<b>929,497</b>	<b>(7,456)</b>	<b>(18,021)</b>	<b>-1.9%</b>

Figures are subject to rounding

We are reporting an overall year-to-date (YTD) surplus of £7.5m, which is in line with our plan. However, this is only after the release of £1.2m from the £3.2m general contingency reserve. The reported forecast is that the CCG will meet the planned cumulative surplus of £18m by achieving our required in year breakeven plan. 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 portal no meaningful information could be presented this month. Therefore Appendix D at month 4 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 contingency reserve. However, 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 £7m upside to £8m 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 £433m (including the MSK and Walk in Centre contracts). At month 5, we are reporting a £0.9m (0.5%) overspend for the contract overall. This remains at a similar level to that reported at month 4.

It is important to note that the phasing of QIPP savings means that £2.9m of the £8.2m attributed to the STH contract is phased into the first 5 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 appears to have stabilised as un-coded activity is for August activity remains at a similar level to last month; 31% of Non-Elective activity and 33% of Elective activity.

The table below shows the value of budgets included within the blended plus agreement. Using the August information there appears to be a small overspend of £36k on the Blended plus elements of the contract which would result in the CCG paying just 20% of the over-performance.

Table 2: STHFT Blended Plus agreement	Annual Budget (£000's)	Year to date Target (£000's)	Year to date Actuals (£000's)	Year to date Variance (£000's)
Urgent Care (NEL, A&E, CDU, BPT)	£137,886	£58,273	£58,309	£36
Community (incl. Intermediate Care & Reablement)	£57,338	£23,891	£23,891	£0
Other Acute (including CQUINS)	£6,352	£2,647	£2,647	£0
Primary Care - Out of Hours	£1,826	£761	£761	£0
<b>Total</b>	<b>£203,402</b>	<b>£85,572</b>	<b>£85,608</b>	<b>£36</b>
Marginal Adjustment	£0	£0	£-29	£-29
<b>Total</b>	<b>£203,402</b>	<b>£85,572</b>	<b>£85,579</b>	<b>£7</b>

**Sheffield Children's (SCH):** The reported position shows a YTD overspend of £102k with a forecast reported underspend of £136k.

**Non Contract Activity (NCAs):** Based on invoices received to month 5 there is a pressure on the budget equating to £325k by the year end. The risk to be managed going forward is the ongoing increase in independent sector expenditure, particularly in regards to ophthalmology.

**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 at Month 5 forecasts that £2.7m of the joint transformation savings will be achieved (an overall forecast shortfall of £1m). 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):** Spend for August was roughly in line with expected levels previously forecast. With the latest information the year end forecasts are that Adults CHC is expected to underspend by £250k, FNC by £300k and Children's continuing care to overspend by £110k.

**Primary Care:** There is a small year to date overspend on primary care delegated budgets of £13k. As previously reported, the late change to primary care allocations left an unfunded (full year) cost pressure on delegated primary care budgets of £938k. The Primary Care Co-Commissioning Committee (PCCC) confirmed the CCG's commitment to underwriting the expected impact of full implementation of the revised GP contract. The forecast financial impact has been mitigated through the application of the contingency reserve of £400k and revised forecast commitments on key budget lines, in particular extended access, meaning that the latest forecast is a residual overspend of £299k.

Additional CCG-Commissioned Services is forecast to underspend by £28k at Month 5, any further slippage in year will assist in offsetting the delegated budget overspend.

**Prescribing:** The latest data received relates to July 2019 and shows an average cost per item of £6.77, which is a further increase of 3p from June's average and 16p greater than April's. Even though average price continues to grow, the volume of items prescribed in July was much lower than anticipated, resulting in actual spend being £1m less than expected. However, summer months can result in increased variation in items prescribed, as roughly 80% of prescribing spend is for repeat prescriptions. Generally if there is a very low activity month, then prescription volumes increase in the months either side. As a result, the forecast spend has been kept at the same level as reported previously (an overspend of £3.8m).

**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&BL 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 5, the ICS has confirmed funding of £4.2m (£3.2m of which relates to GP Forward View funding). However, further funding is expected in relation to specific bids (eg mental health funding) as well as flexible transformation funding. 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 forecast.

**Section 75 Framework Partnership Agreement (Better Care Fund):** Appendix D shows the citywide position in relation to the Better Care Fund (BCF). The year to date position shows an overspend of £0.1m in relation to CCG budgets and an underspend to £3.1m in relation to council budget.

The overall forecast is an overspend of £1.2m, a deterioration of £0.8m compared to the forecast at month 4, due to increases in the CCG spend. We are reporting a small net overspend of £0.4m on the CCG budgets within the scope of the BCF, with overspends in Independent Living Solutions and Mental Health being partly offset by a (reduced) underspend against Ongoing Care services. The Council's Ongoing Care position shows an underspend of £1.9m year to date which is anticipated to end the year with an overspend of £2.6m due to the phasing of high cost packages beginning in year. As reported in previous months the different between the favourable year to date position and slightly adverse yearend forecast position is a result of anticipated caseload pressures later in the year.

**Running Costs:** The forecast variance against the £12.6m running cost allocation is summarised in the table below. At month 5 a forecast underspend of £1.4m is reported, which is similar to the position last month and an increase to the £1.0m agreed at the planning stage. This is primarily due to slippage on pay budgets.

Table 3: Running Costs	Annual Budget £'000s	YTD Variance £'000s	Forecast Variance £'000s
Pay	9,122	(287)	(560)
Non Pay	3,536	(317)	26
Income	(1,172)	43	91
Running Costs Reserve	157	0	0
Running Costs Planned Surplus	1,000	(417)	(1,000)
<b>Running Cost Budget</b>	<b>12,643</b>	<b>(977)</b>	<b>(1,442)</b>

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 5 we are reporting a shortfall of £318k year to date and a shortfall of £1,758k against the forecast position, as summarised in Table 4 below. This represents a forecast delivery of 88% 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 5 is that this is in the range of £0.5-£1m. This is similar to the position reported at month 4 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)	(1,450)	760	(767)	(310)	458
Children & Young People	(113)	(93)	20	(20)	(16)	4
Elective Care	(1,894)	(1,363)	531	(672)	(357)	315
Medicines Optimisation	(4,861)	(4,531)	330	(1,890)	(1,890)	0
Mental Health	(1,532)	(1,530)	2	(717)	(771)	(54)
Ongoing Care	(1,980)	(1,880)	100	(828)	(884)	(56)
Urgent and Emergency Care	(850)	(850)	0	(250)	(250)	0
<b>Sub Total - Portfolios</b>	<b>(13,440)</b>	<b>(11,697)</b>	<b>1,743</b>	<b>(5,144)</b>	<b>(4,477)</b>	<b>667</b>
Other Commissioning	(800)	(100)	700	(335)	0	335
Running Costs	(1,000)	(1,337)	(337)	(415)	(962)	(547)
Other Adjustment	0	(348)	(348)	0	(138)	(138)
<b>Sub Total - Other</b>	<b>(1,800)</b>	<b>(1,785)</b>	<b>15</b>	<b>(750)</b>	<b>(1,100)</b>	<b>(350)</b>
<b>Grand Total</b>	<b>(15,240)</b>	<b>(13,482)</b>	<b>1,758</b>	<b>(5,894)</b>	<b>(5,576)</b>	<b>318</b>
<b>% Achievement</b>		<b>88%</b>			<b>95%</b>	

#### 4. Delivery of Cash Position

The CCG was notified of a maximum cash drawdown limit of £910.0m at month 5. The total cash used to the end of August was £382.3m against a requested cash drawdown of £341.6m, prescribing & home oxygen of £37.7m, other income of £5.0m and a brought forward balance of £149k. The cash balance at bank at the end of the month was £2.2m. 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 August is reported in the table below:

Measure of compliance	12 months to August-19 Number	12 months to August-19 £'000
<b>Non-NHS Payables</b>		
Total Non-NHS Trade invoices paid in the year	16,936	199,010
Total Non-NHS Trade Invoices paid within target	16,722	198,250
<b>Percentage of Non-NHS Trade invoices paid within target</b>	<b>98.74%</b>	<b>99.62%</b>
<b>NHS Payables</b>		
Total NHS Trade invoices paid in the year	3,963	656,625
Total NHS Trade invoices paid within target	3,909	655,791
<b>Percentage of NHS Trade invoices paid within target</b>	<b>98.64%</b>	<b>99.87%</b>

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On behalf of: Jackie Mills, Director of Finance, September 2019















**Additional Funding via CCG into Sheffield System 2019/20 - Status as at August 2019**

**Appendix E**

<b>Funding Name</b>	<b>Source</b>	<b>Provider</b>	<b>Description</b>	<b>Recurrent?</b>	<b>Funding £'000</b>
Diabetes Treatment & Care	NHS England	STH	Structural Education, Multi-Disciplinary Foot Team, Specialist Nursing	Non- Recurrent	180
Latent TB Initiative	NHS England	STH/Primary Care	Latent TB services for Sheffield	Non- Recurrent	25
Community Mental Health Transformation Funding	NHS England	Various	Create a new Primary Care/Community Mental Health service	Non- Recurrent	2,802
Personalisation	NHS England	Internal	Patient Activation Measure Mentor	Non- Recurrent	20
Maternity Transformation	ICS	STH	Improve Maternity services in line with better births policy	Non- Recurrent	291
Suicide Prevention	ICS	Various	Pilot new services and implement targetted training to reduce suicides in Sheffield	Non- Recurrent	109
					<b>3,427</b>